EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,613 Thursday August 11 1988 D 8523 A

WALL STREET
New target for anti-Mafia law
Page 16

World News

UN observers leave for Iran-Iraq battlefront

The first detachment of UN observers departed to the Iran-Iraq battlefront to monitor the ceasefire which is due to take effect on August 20.

In Tehran, Mr Ali Akbar Hashemi-Rafsanjani, acting military chief, sought to counter suggestions that Iran had collapsed militarily after the eight-year Gulf conflict. Page 16

Shuttle passes test

The main engines of the US space shuttle Discovery were fired successfully after weeks of delays and malfunctions. It was the first launch-pad ignition since the Challenger disaster two-and-a-half years ago. Page 4

Bush names Laxalt

US Vice-President George Bush named former Nevada Senator Paul Laxalt, one of President Reagan's closest friends, to be co-chairman of his presidential campaign.

Nile sinking

At least 25 Egyptians and 15 Italians were missing after a boat sank on the Nile near the upper Egyptian town of Edfu, the sources said.

Koreans seek pact

South Korean President Roh Tae Woo will meet opposition parties in a bid to persuade them to end political activities until after next month's Seoul Olympic Games. Page 3

E Germans escape

Two East Germans fled to the West German state of Lower Saxony after border guards responded too slowly to an alarm to stop them.

Sudanese deluge

More floods are feared in Sudan, where as many as 1.5m people were made homeless after a downfall last week in which the UN estimates six times more rain fell than throughout 1987. Page 3

Cosmonaut death

The death on Saturday of 47-year-old cosmonaut Anatoly Levchenko from a brain tumour was not connected with a seven-day space flight he made last December, Tass said.

Locust threat

Locusts are breeding out of control in a swathe from Mali to Ethiopia and would begin to swarm within 10 days, warned the Desert Locust Control Organisation.

W Sahara proposals

The UN has asked Morocco and the Polisario Front to respond by September 1 to new proposals to end the 12-year-old Western Sahara dispute. Page 16

Italy expels 'Nazi'

Italy expelled Anton Maloth, a 76-year-old suspected former Nazi concentration camp guard, to West Germany after his arrest last week on immigration charges.

Yugoslav protests

About 400 workers from a glass factory in Pancevo, an industrial town near the Yugoslav capital Belgrade, demonstrated against low wages.

Indian front setback

India's opposition National Front received a setback when the chief minister of Karnataka state, Ramakrishna Hegde, resigned after taking responsibility for illegal wiretaps by his administration. Page 3

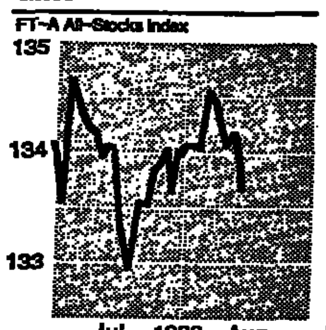
Business Summary

Six more Hong Kong SE officials arrested

HONG KONG: Six more former officials of the Hong Kong Stock Exchange were arrested in the continuing investigation into the Exchange by the colony's Independent Commission Against Corruption. Further charges were also laid against Mr Ronald Li, former chairman of the Stock Exchange and Mr Jeffrey Sun, its former chief executive. Page 16

NEWS CORPORATION chairman Rupert Murdoch plans to borrow only half the $3bn he is paying for Triangle Publications, the US magazine group, and will fund the rest by selling assets including the company's stake in Reuters. Page 17

GILTS: The first of the Bank of England's regular series of auctions of gilt-edged securities got off to a good start with bids of more than £2.3bn for the £750m of securities on offer. Page 6; Lex, Page 18



SMITHKLINE BECKMAN, US pharmaceutical group has lost its second senior executive in two weeks. The company said Dr Stanley Crooke had resigned as president of research and development of its pharmaceutical division. Page 17

MONTEDISON: Mr Raul Gardini's restructuring of the Italian chemicals, pharmaceuticals and energy group, may well have reduced the group's debts from L8,000bn ($5.6bn) to around L1,200bn by the end of next year. Page 17

NESTE, Finnish state oil company, raised its stake in Sovereign Oil & Gas, UK independent oil company, to 14.9 per cent raising speculation about a bid for Sovereign. Page 17

PROCTER & GAMBLE, leading US soap and detergent producer, posted a sharp rise in its fourth-quarter and full fiscal year earnings from previous year's levels with a net profit of $140m in the quarter ended June 30. Page 18

INDUSTRIAL BANK of Japan, world's sixth largest bank with assets of some $220bn, has established an investment company in Luxembourg with Pictet + Cie, Geneva private bank, and Scudder, Stevens and Clark, US securities investment company. Page 20

POSEIDON, once synonymous with Australia's 1970s nickel boom but now a gold company, gained control of Anglo American Pacific, the 58.8 per cent-owned subsidiary of the South African Anglo American group. Page 20

GREECE: A bill effectively deregulating the Athens share market, and allowing for the formation of a parallel market, has been passed in parliament. Page 20

AMSTERDAM-Rotterdam Bank, Netherlands' second biggest bank, reported a 25 per cent jump in first-half profits with net income increased to Fl 273m ($127m) in the first six months from Fl 218m a year earlier. Page 19

Bush attacks cut into Dukakis's poll lead

By Lionel Barber in Washington

VICE-PRESIDENT George Bush's attacks on his Democratic presidential campaign rival Governor Michael Dukakis appear to be paying off.

With less than a week to go before the Republican national convention in New Orleans, Mr Bush has narrowed Mr Dukakis' lead to seven points, according to a new Gallup opinion poll.

Providing he can handle the TV extravaganza in New Orleans, Mr Bush, a wooden speaker at the best of times, can expect to receive an extra lift in the polls. The question is whether he can sustain a comeback.

In recent weeks, Mr Bush has run a largely negative campaign, attacking Mr Dukakis as an inexperienced liberal who would jeopardise the peace and prosperity created by the Reagan Administration.

The Bush campaign mounted a less edifying attack last week by encouraging rumours that Mr Dukakis had undergone psychiatric treatment after his brother was killed in a hit-and-run accident and after he lost the Massachusetts governorship in 1978.

The syndicated conservative columnists, Rowland Evans and Robert Novak wrote on Monday: "The target was to trash Dukakis without hurting Bush. Typically for a maladroit campaign, the result was the opposite on both scores."

The problem with running a negative campaign is that it can rebound on the candidate's own rating.

The new Bush tactic is to attack Mr Dukakis for failing to spell out his policies and counter with a detailed Republican platform – a non-binding election manifesto – in New Orleans.

This week, a 106-member platform committee is prepar-

Continued on Page 16

Interest rates fear leads to sharp fall in share prices

By Simon Holberton in London and Janet Bush in New York

SHARE AND BOND prices fell sharply in major financial markets as expectations of a rise in world interest rates in the wake of Tuesday's increase in the US discount rate served to undermine investor confidence.

Financial markets outside North America were adversely affected by speculation that another round of interest rises was imminent, with the Tokyo and London markets registering steep falls in share prices.

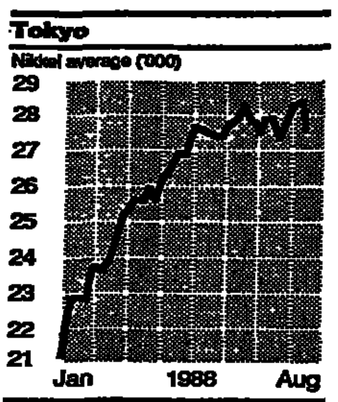
Wall Street remained nervous about the interest rates intentions of the US Federal Reserve, the US central bank, although there was general expectation that the Fed would seek higher money market rates.

At midsession, the Dow Jones Industrial Average stood 30.59 points lower at 2,048.54 in fairly active trading, extending its loss of more than 28 points on Tuesday after the Federal Reserve Board moved to raise the discount to 6.5 per cent from 6 per cent.

US Treasury bonds, which had lost a full point on Tuesday, slumped by nearly 1½ points at midsession. The yield on the Treasury's benchmark long bond jumped to 9.32 per cent, its highest since May.

In London, the prices for longer-dated gilt-edged securities remained largely unchanged but share prices declined. The FT-SE 100 Share Index closed down 22.7 points at 1,839.9 and the FT Ordinary shed 19 to close at 14,82.1.

After Monday's rise in bank base rates to 11 per cent there was a hope that interest rates had peaked. But analysts thought the move by the Fed set conditions for a further rise in UK and European rates.



Earlier in the day share prices in Tokyo, as measured by the Nikkei stock index, fell by more than 2 per cent – the largest one day fall in Tokyo this year – and yields on long-dated bonds rose. The Nikkei index fell 615.49 points to close at 27,554.87.

Japanese investors feared the authorities would force a rise in official interest rates to combat a weakening in the yen, despite a statement by Mr Kiichi Miyazawa, Japan's Finance Minister, that there was no fear of inflation in Japan and therefore no need to reconsider monetary policy.

Financial markets are also watching the West German authorities closely. Official market interest rates are currently 4¼ per cent in West Germany, while the discount rate is 3 per cent. There is an expectation that when the board of the Bundesbank, the central bank, next meets on August 25 it may consider raising the discount rate.

On Wall Street, the gloom in US markets has deepened since it became clear that the Fed intended to supplement the increase in its official discount rate with a further tightening in money markets to force short-term interest rates higher.

The Fed has moved to drain reserves from the banking system on two successive days, a clear signal that it wants the key Fed Funds rate, the rate it charges banks for overnight borrowing, to move higher.

The Fed Funds rate has been trading in a range between 7¾ per cent and 8¼ per cent.

US markets are concerned that higher interest rates will lead to a sustained dollar rally which could threaten to impede progress in cutting the US trade deficit. Yesterday's Japanese trade figures, which showed the trade surplus had widened in July to $7.2bn from $5.9bn in June, was seen by some as a sign of trouble.

At midsession in New York, the dollar was quoted at Y133.95 compared with an earlier high of Y135.07 and at DM1.9115 against its peak of DM1.9260.

Burma rioters take up arms against troops

By Richard Gourlay in Bangkok

DEMONSTRATORS in Rangoon, calling for a return to democracy and cuts in rice prices, yesterday raised the stakes in violent clashes with the army when they broke into police stations, seized guns and for the first time returned fire, diplomats in the Burmese capital said.

In the third consecutive day of violence, thousands of student-led demonstrators again took to the streets, barricading entire neighbourhoods and in one incident beheading three officers in a suburb of the capital, according to state-controlled Radio Rangoon.

In another incident, army units broke into Rangoon General Hospital and opened fire on medical workers tending people wounded in shooting, diplomats said.

One radio report said the army fired 15 times at crowds, killing 33 people and wounding 59, but diplomats say the Government's reports have consistently under-reported the most recent violence since it began on Monday. The army has also started to take casualties.

Schools, offices and shops remained shut for the third day and the US embassy in Rangoon said it has made preparations to evacuate American citizens.

On Monday, hundreds of thousands of workers from ports and government offices marched in Rangoon and towns throughout the country joined the students protesting against the ruling Burma Socialist Programme Party's policies.

In addition to demanding cuts in rice prices, which have risen 400 per cent in eight months and are still rising, they called for the downfall of President Sein Lwin, who took over as the country's leader two weeks ago after 26 years of autocratic rule by U Ne Win.

The student-led demonstrators made a point of not antagonising the army. But yesterday's storming of police stations and shooting back at the army was a marked departure from their use of sharpened bicycle spokes which they fired at police earlier this year.

Earlier this week, Burmese demonstrators said that it was only through broadcasts by the BBC's Burmese language service that reliable news was reaching people throughout the country. Some observers in Bangkok in contact with Burmese student dissidents said the broadcasts had been one of the main reasons protests had now sprung up in 26 towns.

The fate of the ruling party remained in doubt last night, with no reported comments on the third day of clashes from party officials. One diplomat in Rangoon said that the fate of U Sein Lwin depended on "the loyalty of the army and his ability to supply adequate quantities of affordable rice."

AP-DJ reports from Bangkok: Travellers returning from the Burmese capital and western diplomats said the government was moving to seal off the country.

A group of Spanish tourists said they had been interrogated and jailed before being allowed to fly back from Rangoon to Bangkok.

Former VW executive must pay DM10m in damages

By Haig Simonian in Frankfurt

MR BURKHARD JUNGER, former head of Volkswagen's foreign exchange department, was yesterday ordered to pay the West German car manufacturer DM10m ($5.3m) damages for his role in a DM473m foreign exchange fraud unearthed in March last year.

An industrial tribunal in Brunswick also ordered Mr Lutz Quaquil, his deputy, to pay Volkswagen DM5m. The tribunal ruling marks a key legal victory in Volkswagen's attempt to recover the money it lost in the fraud.

Mr Erwin Schulz-Behrendt, the tribunal president, said the two men's testimony had proved their role in the affair. However, both are still appealing against wrongful dismissal on technical grounds.

Mr Manfred Pilgrim, the head of VW's legal department, said the damages were "the first payments due to us," and described the damages as "realistic." However, he said VW would be seeking further compensation should its investigations reveal that those involved had further undiscovered assets.

VW is also planning legal action against three other unnamed former employees. It is also pursuing its action in Switzerland against Mr Joachim Schmidt, the Frankfurt-based foreign exchange broker alleged to be at the heart of the affair, and intends to take action against colleagues of Mr. Schmidt involved "on the edges" of the affair, according to Mr Pilgrim.

After successfully applying to freeze some of Mr Schmidt's identified assets, the West German car maker has now brought a case against him in the Swiss courts. However, Mr Pilgrim said the legal action was proceeding slowly and could not say whether the case was likely to be heard this year.

Meanwhile the company is also pursuing its complex legal case against the National Bank of Hungary, which Mr Pilgrim claimed was now going "in our direction." The bank was the couterparty to the alleged fraudulent forward foreign exchange contracts made between Mr Schmidt and VW's foreign exchange dealers. VW has claimed damages against the bank, which has in turn taken legal action to prove its innocence in the affair.

Testing time for a fast machine, Page 12

Bat Industries increases bid for Farmers Group to $72 a share

By Nick Bunker in London

BAT Industries, the tobacco-based multinational, has raised the stakes in its seven-month-old takeover battle for Farmers Group, the Los Angeles-based insurer, by increasing its hostile cash tender offer from $63 to $72 per share, valuing Farmers at more than $5bn.

As a way of further increasing the pressure on Farmers, BAT said it would leave the increased offer open only until 6pm California time, August 19.

If Farmers fails to agree by then to a negotiated merger with BATUS, BAT's US subsidiary, the terms will drop back to $63, raising the possibility that the Farmers board will face a flood of lawsuits from its shareholders for failing to negotiate.

In a letter sent late on Tuesday to each of Farmers' 13 directors, Mr Patrick Sheehy, BAT's chairman, said the passage of time and mounting bid-related legal costs meant it was "increasingly unlikely" that he would raise the bid above $63 again if Farmers' board snubbed his latest offer.

"We are available to meet immediately with the Farmers board," he added. BAT officials said the increased offer was triggered by a Los Angeles judge's decision last Friday to require the state's insurance commissioner to allow BAT to proceed with the acquisition.

BAT's shares closed 3p down at 421p last night. On Wall Street, Farmers' share price climbed from $57.50 to about $63 in mid-session, but security analysts voiced divided views about how it would react.

Farmers itself – which has been battling hard against BAT in insurance regulatory proceedings in nine states – said it would "carefully consider" the new offer,

Ms June Hoffer, of Prudential Bache Securities, said the new offer was generous, representing 17 times Farmers' estimated 1988 earnings per share of $4.25. She noted that the most highly rated US property/casualty insurance stocks were trading at multiples of only nine times earnings. Mr Gerald Lewinsohn of Merrill Lynch said, however, that there was "a 60 per cent chance" that the Farmers board would reject the new offer, and justify itself by pointing to the fact that insurance commissioners in Washington, Oregon, Ohio and California had denied approval for the acquisition.

"Farmers has grown to have tremendous disdain for BAT as a tobacco company," he said.

One ace held by Farmers was that Washington – where the insurance commissioner was especially critical of BAT – was the domicile of Farmers New World, its principal life insurance arm. Without it, BAT could not pursue its strategic aim of building up Farmers' sales of life products.

MARKETS

INTEREST RATES
US lunchtime
Federal Funds 7¾%
3-mth Treasury Bills: yield: 7.22%
Long Bond: 98 3/32
yield: 9.31%
London
3-month interbank: close 11⅞ (11¼)

STERLING
New York lunchtime
$ 1.69425
London:
$ 1.6900 (1.6875)
DM 3.2395 (3.2325)
FFr 10.9575 (10.8975)
SFr 2.705 (2.7025)
Y 227.25 (227.25)

DOLLAR
New York lunchtime
DM 1.9115 (1.9205)
FFr 6.4625 (6.4740)
SFr 1.585 (1.6070)
Y134.2 (135.17)
London:
DM 1.9155 (1.916)
FFr 6.48 (6.4575)
SFr 1.599 (1.602)
Y134.45 (134.7)

GOLD
New York: Comex Dec$439.11

STOCK INDICES
New York
Dow Jones Ind. Av. 2,049.06 (-30.05)
S&P Comp 263.13 (-3.36)
London:
FT-SE 100 1,839.9 (-22.7)
World: 126.85 (-1)
Tokyo
Nikkei Ave 27,554.87 (-615.49)
Frankfurt
Commerzbank 1479.9 (-21.4)

OIL
Brent 15-day (Sept) $ 15.025 (-0.25)
West Tex Crude $ 15.6025 (-0.12)

CONTENTS

Italy makes brave start towards balancing the budget

Prime Minister Ciriaco De Mita set a limit on the growth of ministerial spending. He wants cuts in state support for health and welfare, public transport and state corporations, including industrial groups like Iri and Eni
Page 2

Geneva: Swiss hold the pass against the EC juggernauts 2
Technology: Testing time for Volkswagen's fast machine 12
Burma's student revolt: A cry of enough is enough 14
Editorial comment: Kuwait's role in BP; Austerity plan in Argentina 14
Lex: BAT; UK equities; composite insurers; gilt auction; Ultramar 18
Venture capital: Japan's Johnny Appleseed makes tracks for Europe 17
Management: Putting the RCA Red Seal back on a pedestal 24

Europe	2	Agriculture	34	Financial Futures	25	Observer	14
Companies	19,21	Arts-Reviews	13	Gold	34	Raw Materials	34
America	4	World Guide	13	International bonds	20	Stock Markets	35,38
Companies	18	Commercial Law	33	Intl. Capital Markets	20	-Wall Street	35-38
Overseas	3	Commodities	34	Letters	15	-London	29-38
Companies	20	Crossword	28-29	Lex	18	Technology	12
World Trade	4	Currencies	25	Management	24	Unit Trusts	28-29
Britain	6	Editorial Comment	14	Money Markets	25	Weather	16
Companies	21-23	Euro-options	25			World Index	38

Italian cabinet kicks economic ball into Parliament's court

By John Wyles in Rome

ITALIAN government ministers, weary and wilting in the Roman heat, departed on holiday yesterday generally hopeful that a package of measures adopted in recent weeks should dispel any doubts about their determination to solve Italy's long-standing problems of rising budget deficits and soaring public debt.

But political disagreements within the five-party coalition did cause the cabinet to stumble yesterday and to postpone adoption, until its next meeting on August 26, of at least one tax reform proposal which had been expected to go through.

Nevertheless, if the weight of decrees and draft legislation, either in the pipeline or recently adopted by the cabinet headed by Mr Ciriaco De Mita, was any guarantee of success, then the four-month old Government could be said to have made an impressive start towards balancing the budget net of debt interest payments by 1991-1992.

But in the continuing absence of any reform of parliamentary rules and practices, and with internal party disciplines no stronger than in the past, the usual doubts must remain about whether the Government's proposals can survive the parliamentary process reasonably intact, and whether they can all be translated into law before the new budget year opens in January.

The 1988 budget proposal due in September will be a crucial test for both the five-party coalition and Parliament since, through a combination of higher indirect taxes and spending cuts, it will aim for a deficit only L800bn (£336m) higher than the L115,000bn (£48.3bn), including interest payments, targeted for this year.

At the moment the underlying deficit for 1989 is unofficially estimated at more than L125,000bn. The difficulty of the medium-term task is illustrated by the deficit target for 1992 of L53,000bn, which would be 6.1 per cent of gross domestic product compared with the 10.8 per cent implied by this year's deficit.

As a first step towards imposing some discipline on departmental spending Mr De Mita last week set a limit on the growth of ministerial budgets next year at 14 per cent above 1987 actual spending, including salaries. More specifically, he called for stabilisation and, where possible, reductions in state support for health and welfare, the railways and public transport, local government finances and state corporations, including industrial groups such as Iri and Eni.

Since 14 per cent growth over two years would not seem an excessively rigorous target against an inflation rate for the period of around 10 per cent, Mr De Mita has made it clear that he expects most departments to come in with lower growth estimates. His flat should, however, put a firm squeeze on health and welfare whose annual growth rates are running in excess of 10 per cent.

Apart from the move a fortnight ago to raise the central VAT rate from 18 to 19 per cent and to lift some energy tariffs to pay for June's extremely generous teachers' pay settlement, most of the Government's recent efforts have focused on tax reform and clamping down on tax avoidance and evasion.

Here, it is giving as well as taking away. Last week the cabinet adopted a draft reform of income tax rates, likely to cost around L7,000bn in a full year, which gave some compensation for fiscal drag to middle and low incomes and reduced the top tax band from 62 to 50 per cent in an echo of recent reforms in Britain and the US.

The trade unions, however, are muttering about a general strike, complaining that the reform is inequitable and ungenerous, while parliamentary leaders are already promising amendments to confer more benefits on single income families.

At the same time, the cabinet sent to Parliament legislation designed to curb the generous scope for legitimate tax avoidance currently offered to companies and individuals.

The Italian cabinet yesterday adopted a long-awaited national energy strategy which eliminates unclear energy from any role of importance for the rest of the century. Concentrating largely on the use of coal, oil and gas, the L80,000bn 15-year plan aims to reduce dependence on imported energy from 81 per cent to 75 per cent and to spend nearly half of the planned investment on energy saving projects.

through tax deductibles on transport, entertaining and various other activities.

But a potentially richer source of tax revenues is Italy's 7m self-employed shopkeepers, professionals, farmers, artisans and small businessmen whose tax declarations, when made, set a high national standard for fiction writing.

While agreed on the content, ministers were still at odds yesterday on the way to introduce a law to replace temporary legislation introduced in 1984. Highly controversial at the time, this was seen as the state's first serious attack on a tax evasion culture among the self-employed which clearly left the directly employed carrying a completely unfair burden.

The old law has served to bring more people within the tax net on the basis of assuming their profit margins and estimating their sales. The new one seeks to sharpen the taxman's aim by improving the quality of assumptions he can make about profits on declared revenues of between L36m and L600m a year.

With the help of the various trade associations, the Government will set minimum levels of profitability and income according to type of business, location, number of employees and other variables upon which individuals and businesses will then be taxed. Declarations of income below these minima will, it is said, attract the near certain scrutiny of the tax authorities.

However, the cabinet remained divided yesterday about the necessity, vigorously challenged by the Republicans whose president, Mr Bruno Visentini, was the architect of the old law, of accompanying the new law with a tax amnesty. Supporters argue that only a promise to forgive past understatements of income will persuade the self-employed to come inside the pale of the new regime.

Neither were ministers ready yesterday to embrace the broad lines of a plan drawn up by Mr Emilio Colombo, the Finance Minister, to expand and reform the tax gathering machinery by recruiting another 20,000 people and giving them more financial incentives to tackle evasion. The Treasury remains unhappy about the estimated L1,700bn cost of the plan over three years and the Public Functions Ministry claims it contradicts its own strategy for reorganising the bureaucracy.

The Government has yet to make clear its estimates of the quantitative impact of the ensemble of measures on its budget deficit targets. These will presumably come with the 1989 budget in the autumn and the opening of a political drama which casts the elected representatives of the Italian people in a quite unfamiliar role. After years of politically rewarding generosity to clients and interest groups, can they actually speak the words "not a lira more"?

Soviet low-flying jets curbed in Hungary

By Leslie Colitt in Berlin

AS A POLITICAL row over low-flying military jets raged in Britain yesterday, following the midair crash of two Tornados, reports came from Hungary of a partial victory by people campaigning against low altitude activity by Soviet fighters.

The Hungarian citizens' movement is a mirror image of West German groups which have agitated with some success against earsplitting, treetop level practice runs by Nato jets. The Soviet Defence Ministry recently agreed to a 10 per cent cut in the number of low-altitude training flights by the Federal Republic's air force.

The village council of Szigethalom in Hungary, at the rim of a Soviet air base near Budapest, recently held a meeting to deal with complaints from local inhabitants about military jets. Representatives of the Soviet Southern Army Group and the Hungarian army were present.

A local resident told Hungarian television that it was "terrible" to see the aircraft dive and then soar with a "bang that shakes the whole village."

Peoples nerves were said to be near breaking point and children, it was alleged, suffered from hearing deficiencies of up to 40 per cent. One villager called on the soviet command to end night flights.

Hungarian television then quoted Soviet air force officers as saying the intensity of practice flights would be reduced. No flights would be scheduled over Hungary on weekends or state and religious holidays. They would also be suspended between 2 pm and 4 pm.

By contrast, East Germany, which has the largest Soviet army and air force presence in Eastern Europe, is officially silent on the effects of military aircraft on the population. Privately, East Germans complain of severe noise "bombardment" from the air and heavy damage on the ground from constant manoeuvres.

Pan-Europe paging system in dispute

By Hugo Dixon

A DISPUTE has broken out between telecommunications manufacturers and regulatory authorities about how a pan-European paging system should be developed.

The plan is that, from 1992, people should be able to use the same pager throughout Western Europe. At present, paging systems in different countries use different frequencies and are therefore incompatible. The dispute centres on what is the best way of making these different systems compatible.

Most of the regulatory authorities, including the UK's Department of Trade and Industry, think that the way forward is to develop a new type of "scanning" pager, which is capable of operating on a whole range of frequencies.

This line is also being supported by most operators, including British Telecom, which runs the largest paging system in Europe. Last month, BT bought a US paging operation, which manages to unite the country's fragmented paging markets using a scanning device developed by NEC of Japan.

Europe's manufacturers, however, are opposing the scanning approach. Mr Alexander Poliakoff, chairman of ESPA, the European trade association for the paging industry, said yesterday that it would be cumbersome and expensive. His association has agreed to press for a simpler device that operates on only two frequencies – one for national use and one for European use.

The problem is that, for the simpler device to work, each European country would have to devote the same frequencies to paging.

Cold chicken debate grows heated

By Tim Dickson in Brussels

THE EUROPEAN Commission has accused the West German Government of "fowl" play.

In what is expected to prove a crucial test for the unity of the internal market in food, the Brussels authorities disclosed yesterday that they had lodged a formal complaint in the European Court of Justice over Bonn's border checks on imported consignments of refrigerated chicken.

The issue is already the subject of a legal action by a Dutch company in a Berlin Court, which in turn has referred the matter for adjudication to the European Court. The Commission's case is designed to elicit guidance on broader principles of Community law.

Yesterday's announcement in Brussels is understood to have been prompted by a West German television programme which highlighted fears that the EC's enthusiasm for dismantling borders as part of the 1992 programme could encourage the import of large quantities of putrefying meat.

Illegal trade in hormone-implanted carcasses, and the practice of boars being passed off as pigs, were among other concerns cited.

The Commission was anxious to stress that member states had every right to pursue offenders. On the other hand, a spokesman said the systematic and regular opening up of refrigerated lorries should not be permitted and that existing directives laid down the obligation to make inspections in a single location, carry them out without delay, and to do so on the basis of a sample.

Brussels hopes that the Court judgement, likely to be before the end of the year, will help clarify the situation for other meats besides chicken.

Soviet co-ops strain at the bonds of state

By John Lloyd in Moscow

THE Soviet Union's independent co-operatives are suffering growing pains: their biggest problem is working out a mature relationship with a paternalistic, sometimes hostile, state.

The 3,000 co-operatives of Moscow, which claim a combined turnover for the first half of 1987 of Roubles 100m (roughly £100m), met on Tuesday to compare notes.

Mr Y.M.Luzhkov, chairman of the co-ops commission on Moscow City Council, told the 700 delegates that there were "more and more co-ops and fewer and fewer resources," and urged the co-ops to build their own premises with their own funds. Another problem aired, however, was lack of funds.

Mr Luzhkov said that the quality of equipment delivered to co-ops was often low, and he called for the new enterprises to be put on at least as favourable footing as state ones.

The main business of the meeting, held in the Hall of Political Enlightment, was the election of a co-ops union – a kind of association of small businesses – to advance their interests. Like the co-ops themselves, this new organisation will be expected to pay its way, existing on fees from co-ops.

The raw novelty of their operations was pointed up by one speaker, who complained that two articles of the penal code still prescribed punishment for showing the kind of enterprise which the new law on co-ops exhorted their members to show.

This continuing contradiction between top-level approval and bureaucratic narcosis was vigorously attacked yesterday by Moscow News, which quoted the example of a group of young co-operators who had started to breed fish for use in aquaria. Revealingly, they had begun the venture merely on reading in a magazine that some relatively common Soviet fish were in high demand in the West: but when they sought foreign trading permission, it was refused.

Foreign trade is the only field in which co-ops need explicit official permission – and so far, it seems, they are not getting it. Moscow News said that of the 2,548 co-ops registered on July 5, only one had been given permission to trade abroad.

In a recent speech, Mr Ivan Ivanov, chairman of the state Foreign Trade Commission, told the Association of Soviet Exporters that far too many "incompetent" people wanted to trade overseas, and his commission would be "particularly cautious" in letting them do so.

Moscow News commented: "You can rest assured that the relatively unschooled Russian millionaires of the pre-revolutionary years, or the 20-year-old founder of the Apple computer corporation would also have been labelled incompetent had they tried to get a certificate . . ."

Already, though, the co-operators are showing signs of becoming just like small businesses in the West. An association to promote their own interests was set up: but a proposal to establish a trade union to represent co-op workers "found no enthusiasm," according to one delegate. Instead, they want to throw off the shackles – including that part of legislation which specifies a limit to the working week.

Investment takes its toll of Bundespost profits

By David Goodhart in Bonn

THE BUNDESPOST, West Germany's post and telecommunications organisation, has reported lower profits for 1987 and expects a sharp fall in the current year but less than had been expected.

The financing of a vast investment programme lies behind the declining profit. The fall next year would have been even greater but for a hefty rise in the price of posting letters and parcels.

The profit in 1987 was DM2.7bn (£843m), down from DM3.2bn in 1986, on a turnover up slightly to DM52bn. However, the lower profit figure is partly covered by a higher repayment to the Government which rose to DM4.9bn last year from DM4.7bn in 1986.

Mr Christian Schwarz-Schilling, the Post Minister, declared himself satisfied with the 1987 result and stressed the increase in investment to DM17.6bn and the growth in value-added services. Telefax customers nearly doubled and there has been a sharp increase in households linked to cable. The profit for 1988 is expected to reach DM1.5bn.

The Bundespost's nominal deficit figure has now risen to nearly DM70bn. The postal side in 1987 made its customary loss; it was slightly higher at DM2.5bn. But that was more than covered by the DM4.2bn surplus in telecommunications.

Concern in Moscow over Afghan pull-out

By John Lloyd in Moscow

AFGHAN rebels are stepping up their activities in the southern province around Kandahar, and it has been confirmed by Moscow's media that the insurgents inflicted casualties on Soviet troops as they pulled out of the area last weekend.

Yesterday's Soviet press reports on Afghanistan showed a marked change in tone, with some alarm now being registered about the Afghan army's ability to contain the rebels.

The new tone contrasts with earlier statements of confidence in the Kabul's capabilities, and it coincides with fresh Soviet charges that Pakistan is breaching the Geneva accord which provides for a Soviet pullout. The Soviet media has spoken of "at least 20 advisers" working with the rebels, including officers from the US, Saudi Arabia, West Germany, China and Iran.

In a front-page report, the Communist party newspaper Pravda said yesterday that two Soviet soldiers had been killed and six injured during the withdrawal of the 7,000-strong contingent from Kandahar. It claimed that 200 rebel bands totalling 11,000 men were active in the area, and it also reported the claims by rebel leaders to be transferring their "transitional government" from Pakistan to Kandahar.

Under the Geneva accord, half the Soviet Union's troops in Afghanistan are due to leave by next Monday, and the remainder by February 15.

A concert was held in Moscow last night in the vast Olympic stadium to raise funds for disabled Afghan war veterans.

The Pravda correspondent, in a comparatively vivid report, partly confirmed rebel claims of rocket attacks on Kandahar airport, when he described at least 20 rockets falling on the helicopter pad while he was in the city. Quoting Afghan sources, he said that two separate pro-Islamic parties had been sent from Pakistan with instructions to take power in the province.

He added: "It has to be admitted that they (the rebels) have had a certain degree of success - there are instances of some local people going across to the bandits." In other cases, local clergy had been suspected of aiding rebels.

Afghanistan's President Najibullah yesterday met religious leaders in Kabul to assure them that the Afghan state was being built "on the basis of Afghan traditions, principles of parliamentarianism, democracy and respect for Islam."

At the same time, Tass reported that a visiting group of Kabul clergy had been impressed by the religious freedom enjoyed by Tajik Moslems – ethnic cousins of the people of northern Afghanistan – in the Soviet Union.

The Soviet press reports also indicated concern over a possible de facto partition of Afghanistan: something that has also been forecast by Western commentators, who suggest that the country might effectively become divided between a Soviet sphere of influence in the north, and an area of Pakistani hegemony in the Pushtun-dominated south.

The tone of the Soviet reports, and the space given to the Afghan situation, point to increasing concern within the Soviet leadership over the Kabul regime's ability to defend itself after the Red Army pulls out.

Government spokesmen have disowned comments last month by General Kim Tsagolov, a former Soviet adviser in Afghanistan, to the effect that Afghan leadership was faction-ridden and incapable of holding back the guerrillas.

It seems, however, that doubts remain.

Palme report threat to ruling party

By Robert Taylor in Stockholm

SWEDEN'S constitutional committee, the powerful all-party watchdog that scrutinises the conduct of ministers, said yesterday that it would publish its report into the Government's handling of the Olof Palme murder investigation just two weeks before next month's general election.

The ruling Social Democrats fear this could seriously damage their hopes of a third term.

Yesterday Mr Ingvar Carlsson, the Prime Minister, took the unusual step of writing an open letter to his party supporters in the newspaper Expressen which acknowledged that debate had been dominated by the Government's controversial support for a secret, private inquiry into the 1986 killing of Palme, Sweden's veteran head of government.

The inquiry, headed by a Social Democratic book publisher, led to the resignation of Mrs Anna-Greta Leijon, the Justice Minister, in June.

Mr Carlsson declared: "Now we Social Democrats are going on to the offensive. In the weeks that remain in the election campaign we are going to concentrate on economic, environmental and other big issues."

Over recent weeks the committee's hearings into the extraordinary events surrounding Mrs Leijon's resignation have dominated Swedish television. The often lurid revelations about the long-standing feud between the Government and Sweden's security services (Säpo) over the Palme investigation have cast serious doubts on the Government's competence.

Mr Carlsson gave evidence to the inquiry with a vigorous defence of his Government.

Mr Olle Svensson, the constitutional committee's chairman and himself a Social Democrat said that his colleagues were unanimous in their decision on the timing of publication.

West to rescue on E German motorway

By Leslie Colitt

THE East German motorway linking West Germany and West Berlin - a veritable assault course for West German motorists - will soon offer a breakdown service financed by West Germany.

The West German Automobile Club yesterday signed an agreement to provide a transport company in Potsdam with 15 service vehicles, equipment and spare parts with which to rescue stranded Western motorists.

Until now they were left to their own devices or could be towed to the West at enormous expense by an East German truck.

Stretches of the Autobahn south of Leipzig, whose paving is buckled and pitted with potholes, are only now being repaired with financial aid from West Germany. The motorway's condition is one reason for the rigorously enforced 100 kph speed limit.

The agreement is the latest in self-serving East German accords which provide the financially hard-pressed country with Western infrastructure improvements.

Two main East German motorways between West Berlin and West Germany were modernised and one newly built in recent years at a cost of more than DM600m to the West German taxpayer.

Bonn pays another DM525m annually to East Germany in Autobahn transit fees. More than 7m Western cars and lorries are beneficiaries, along with East German vehicles – and Soviet military traffic – driving between Berlin and Leipzig or Magdeburg.

Swiss hold the pass against the EC juggernauts

The Alpine nation will have no truck with Community 40-tonne lorries, writes **William Dullforce**

SWITZERLAND'S sharply knuckled fist, punched through the middle of the map of Europe, is defying the European Community. The Swiss are refusing to open their roads to vehicles of more than 28 tonnes and accede to the EC's demand for a north-south trans-Alpine corridor between West Germany and Italy for 40-tonne lorries.

EC road hauliers expect the European Commission to use the Community's weight. Swiss negotiators fear that, in order to force a settlement of the transport issue, Brussels may drag its feet over granting rights to Swiss aviation, banks and insurance companies in the single internal market it is shaping for 1992.

Yet Berne is in no position to compromise over the core issue. Swiss voters would disown in a national referendum any deal their federal Government accepted which allowed 40-tonne lorries on Swiss roads.

The stampede of juggernauts along their mountain highways and through their tunnels, which their experts say would be the result of submission to the 40-tonne demand, has become a collective Swiss nightmare.

This incubus of crowded routes, polluted forests, noise and other environmental nuisances is most strongly evoked in the small mountain canton of Uri, through which runs the splendidly engineered highway to the Gotthard tunnel.

Uri's peasants have culled economic and political benefits from their control of the Alpine passage since the early Middle Ages. But, they now insist, modern road transport has exposed the environmental fragility of their mountain canton. Last year torrential rains set off floods and landslides that destroyed bridges, roads and villages in the valley.

Neither Switzerland nor the Commission in Brussels wants their differences over transit rights for EC road freight to degenerate into a shoot-out but positions have hardened over the past couple of months.

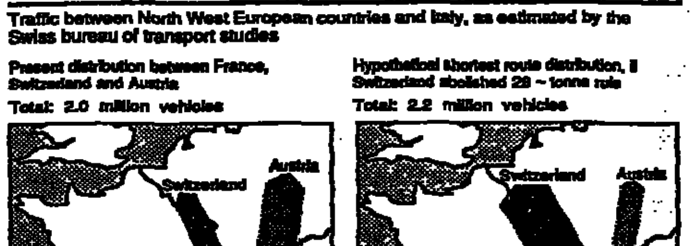
When Mr Adolf Ogi, the Federal Councillor (minister) in charge of transport, told his European colleagues at the end of May that Switzerland stood firm on its 28-tonne limit, Mr Juergen Warnke, the West German minister, warned that Switzerland was isolating itself from Europe.

The Commission is drawing up a report in which it will ask EC transport ministers for a mandate to negotiate with Austria, Switzerland and Yugoslavia. As matters now stand, it is likely to propose that it maintain its demand for a road corridor through Switzerland for lorries up to 40 tonnes.

The report should be submitted before the end of September, enabling ministers to come to a decision at their October or December meetings and allow formal negotiations to start next year.

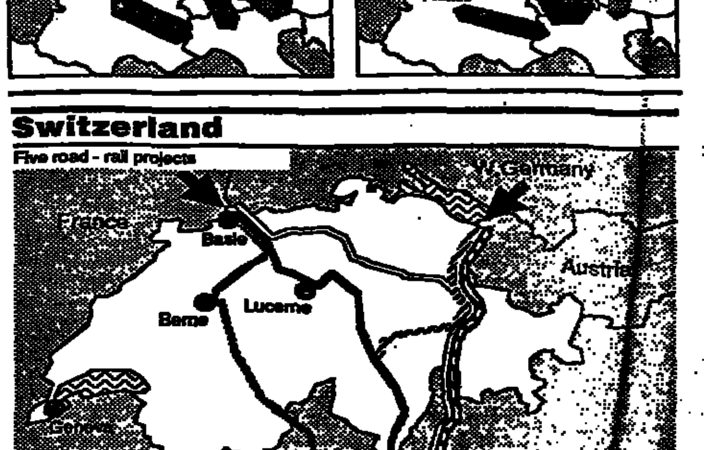
Heavy road traffic through Switzerland increased annually by more than 10 per cent between 1985 and 1987, despite the fact that lorries above 28 tonnes had to take the longer routes across the Brenner or through the French Alps.

Berne claims that, if it abolished the 28-tonne limit, heavy traffic taking Swiss routes would triple. It forecasts an



Transalpine road freight traffic

Traffic between North West European countries and Italy, as estimated by the Swiss bureau of transport studies



Switzerland

Five road - rail projects

average of three lorries a minute on the Gotthard route between 4 am and 11 pm on 300 days a year.

Brussels is aiming for a co-ordinated EC transport policy, with common standards for road hauliers, to match the single market. To realise this, it needs to persuade Switzerland and Austria, the countries controlling the Alps, and Yugoslavia, which commands the route to Greece, to adjust their regulations to EC norms.

Austria is already allowing 38-tonne lorries to cross the Brenner pass. Yugoslavia accepts 40-tonners. Matters of taxation, investment in better routes, quotas, border controls need to be negotiated with both countries.

But Switzerland remains the key. It offers the shortest route between northern Italy and EC industrial and commercial centres in Belgium, the Netherlands and in West Germany from Baden-Württemberg north to the Hamburg area.

The Swiss remain adamant against opening their roads to 40-tonne lorries but are offering a combined road-rail alternative under which heavy trucks would be carried through Switzerland on railway wagons.

This alternative is costly, would favour large road-haulage companies over the small entrepreneur, and could not operate on any real scale before well into the next century. Swiss officials argue, however, that the road-rail combination will eventually be seen as the most sensible way of transporting heavy freight Europe-wide.

Five trans-Switzerland projects have been costed at amounts varying from SFr9bn (£3.3bn) to SFr19.6bn. All call for the drilling of new long tunnels, new rail links or the modernising of existing track and the construction of terminals for swift loading and discharging. Construction time varies from 12 to 17 years and the most optimistic date for the start of work is 1994.

The European Commission is by no means hostile to the combined road-rail project but doubts that one such route would be enough to cope with the growth in transit freight. It also argues that a north-south road corridor taking 40-tonne lorries would still be needed, to cope with the growth in traffic expected over the next two decades.

With 1992 approaching, the EC is certainly not prepared to wait indefinitely for access. Nor can Berne afford to let a festering transport sore poison relations with the emerging single-market Community. But the Swiss are obstinate negotiators.

Officials on both sides have started to talk vaguely of elaborating a "package" of compromises. The Swiss are looking into ways of "scraping out" the Simplon tunnel, reducing the gap between the railbed and the roof, so that the existing road-rail link could take lorries taller than the 3.8 metres currently possible.

Far greater improvements in the rest of the track, the installation of efficient loading terminals and a much more frequent service would be required. Even then, the Basle-Simplon link would not be an adequate solution.

Switzerland maintains a 28-tonne limit domestically against EC carriers, but Swiss hauliers use 40-tonne lorries, run from a 10km frontier strip exempted from the limit, for their operations within the Community. The Commission has a negotiating lever here.

However, the crux of the problem is political. Any compromise has to be sold to the Swiss electorate. That means that the Brussels negotiators have to find some kind of balance between the Swiss public's environmental concern and the needs of its own road hauliers. It will not be easy.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: G.D. Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd. 1988.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address changes to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Japanese trade surplus renews upward trend

By Ian Rodger in Tokyo

JAPAN'S merchandise trade surplus in July rose for the first time in 15 months, reaching $7.2bn, compared with $6.9bn in July, 1987.

However, the report from the Ministry of Finance had little impact in financial markets in Tokyo yesterday, as most attention was focused on the rising trend of interest rates following the US discount rate increase.

Economists said the figures suggested that Japan's trade surpluses were unlikely to decline as quickly as had been hoped earlier. They expected that this would lead to renewed weakening of the dollar against the yen in the near future.

That, in turn, could ease the pressure on the Bank of Japan to raise Japan's own discount rate, they said.

Overall exports rose 16.2 per cent to $23.1bn, while imports rose 23.1 per cent to $15.9bn on a customs-cleared basis.

However, Japan's bilateral surplus with the US narrowed to $4.5bn, from $4.8bn, as imports from the US jumped 21.4 per cent to $3.5bn, while exports to the US were up only 4 per cent, to $7.9bn.

Imports from the European Community countries continued to grow strongly, up 30.7 per cent to $2.1bn, while imports from Southeast Asia rose 26.7 per cent to $4bn.

On a seasonally-adjusted basis, the July surplus was $6.2bn, 20 per cent higher than in the previous month.

Analysts said there were some special factors in the July figures, including a surge of oil imports in advance of a tax increase.

Roh seeks Olympics deal with opposition parties

By Maggie Ford in Seoul

PRESIDENT Roh Tae Woo is to meet the South Korean opposition parties tomorrow in an effort to persuade them to suspend political activities until after the Seoul Olympic Games next month.

Opposition leaders are not expected to agree to the request because of the widely held view that the work of two key National Assembly committees must be advanced as quickly as possible to ensure the continuation of democratisation.

The committees are looking into corruption under the previous government of former President Chun Doo Hwan and the 1980 Kwangju killings by the military. The first committee is to start its formal investigation today.

The urgency is caused by concern that hardline elements might resort to a crackdown to restore control, after the protection provided by the Olympic Games ends. Since the demonstrations last year and two election campaigns, national consensus over democracy has broadened.

The National Assembly investigations strike at the heart of the former regime, many of whose supporters are still in positions of power. Both Mr Kim Dae Jung and Mr Kim Jong Pil, two opposition leaders, have recently warned against any moves to block the democratisation trend, while noting that politicians were patriots who had no intention of disrupting the Games.

Indian party leader quits

A NATIONAL front of seven Indian opposition parties, launched last weekend, yesterday suffered a setback when Mr Ramakrishna Hegde, chief minister of the southern state of Karnataka, resigned over a telephone-tapping controversy, K.K. Sharma reports from New Delhi.

Mr Hegde was chief minister of the only state in India ruled by the Janata Party, one of the main constituents of the new national front, formed last weekend to present a viable national alternative to Mr Rajiv Gandhi's ruling Congress-I party. His resignation yesterday came after Mr Gandhi had told parliament that Mr Hegde had ordered the tapping of opponents in the Janata Party.

Japanese buy stake in a US university

By Stefan Wagstyl in Tokyo

JAPANESE BUYERS dominate world markets in everything from real estate to Impressionist paintings. Now, a Japanese company is buying a stake in an American university.

Amvic, one of Japan's largest English language schools, is investing $11.5m in Warner Pacific College, a university in Portland, Oregon, established 50 years ago by Protestant missionaries.

Japanese organisations have in the past bought buildings and land from American colleges. But the Amvic deal is thought to be the first time a Japanese group has bought a stake in a living institution. More acquisitions could follow. Mrs Caroline Matano Yang, executive director of the Japan US Educational Commission, said: "Interest has really been building up in the past year."

In order to forestall protests in the US about the sale of Oregon's cultural heritage, Amvic is giving Warner generous terms – including the right to buy everything back next century for a dollar.

Amvic's main aim will be to send Japanese students to study for a time in Oregon. It will use the link in its advertising in the fiercely competitive Japanese market for English teaching. Amvic – the name is a Japlish combination of "Ambitious-Victory" – has 35,000 students at 48 schools throughout Japan. Last year it moved its head office from rural Shikoku to Tokyo.

Warner College, dedicated to Christianity, cultural liberalism, and service, could scarcely be more different. With 400 students, it is hardly known outside Oregon, according to Americans living in Tokyo. It has turned to Amvic because it has fallen on hard times and needs the money.

Under the terms, Amvic is paying $4m for a interest in Warner's assets, which are valued at $9m. It is also lending the university $2m and buying for $5.5m a neighbouring plot of land on which will be built a dormitory for 200 Japanese students. The university assets Amvic is buying will be leased to the Warner Pacific at low interest rates for 30 years, then sold back for $1.

To further sweeten the deal, Amvic will sponsor the establishment of courses in Oriental studies. It is all a far cry from what teachers of the Pacific Bible College who founded Warner Pacific had in mind.

Israel 'will crush' Palestinian government

By Andrew Whitley in Jerusalem

Shamir: threat of 'iron fist'

PRIME Minister Yitzhak Shamir has served notice on the Palestine Liberation Organisation that Israel will use all its might to crush any attempt to establish a government-in-exile or declare an independent state in the occupied territories.

Addressing a special session yesterday of the Israeli parliament, called from its summer recess to discuss Jordan's surprise disengagement from the West Bank, Mr Shamir was at his most uncompromising.

"Should there be maniacs who raise the idea (of a Palestinian government), they will encounter an iron fist which will leave no trace of such attempts," he told the Knesset, in the first authoritative Israeli response to the swiftly moving events of the past 10 days.

In a significant departure from his previous insistence on sticking to the 1978 Camp David accords, the Israeli leader warned that this commitment could not be expected to last forever. Egypt and the US, the two other parties to the agreement, have both made clear that they regard the original concept as outmoded.

The implication of Mr Shamir's thinking – that he may eventually bow to pressures within Israel to annex part, or all, of the West Nank and Gaza Strip – also emerged during a heated exchange yesterday in the policy-making inner Cabinet. Participants quoted Mr Shamir as telling his Labour rival, Mr Shimon Peres: "I am in favour of imposing Israeli law on parts of the land of Israel (his term for the entire Biblical territory of the Jewish people). All of the land of Israel is ours."

Mr Shamir has seized on King Hussein's moves as proof of his argument the Palestinians do not exist as a separate people. And yesterday he went on to claim that no Israeli government, whatever its political orientation, would ever countenance the exercise of Palestinian self-determination.

He denounced international support for self-determination – the common demand binding almost every Palestinian – as "phoney, meaningless and hypocritical".

● The latest round of talks between Israel and Egypt over the disputed Taba border enclave, held in Cairo under US auspices, has ended in failure. Israel has tacitly conceded that an international arbitration tribunal, due to give its judgment next month, will rule against its claim. It is therefore fighting a rearguard action to maintain control over the tiny beach on the Red Sea.

Big power role 'led to Gulf ceasefire'

By Edward Mortimer in Tehran

"THE INVOLVEMENT of big powers" in the Iran-Iraq war was the key factor which decided Iran to accept a ceasefire, according to Mr Kamal Kharazi, director of Iran's War Information Headquarters.

The Iraqis had been successful, Mr Kharazi admitted, in bringing the superpowers in, with the result that in its closing stages "the war was something more than between two countries: it was close to an international war". Mr Kharazi was interviewed during the international conference on "defence and aggression" which ended yesterday in Tehran, and of which he was chairman.

He stressed that it would take time to improve relations between Britain and Iran, "and we have to receive some signs . . which would show us that a period of friendship and co-operation is going to start". (A British diplomat, Mr David Reddaway, is expected in Tehran early tomorrow to take charge of the British interests section, which for most of the last year has been manned only by a Swedish diplomat.)

The Iranian people, Mr Kharazi said, had "a very bad memory" of the positions taken by Britain during the war, and this would influence Iran's choice of friends after the war. "The British Government is isolated in the Iranian community", he said, adding that in Iranian eyes it was "always a follower of the American Government".

He would not be drawn on what signs precisely Iran was looking for from the British Government, but said that France had made the required change of policy. (France, a big supplier of weapons to Iraq, was none the less allowed to reopen its embassy in Tehran last month.)

Tuesday's surprise visit to British ships in the Gulf by Mrs Margaret Thatcher, the British Prime Minister, was dismissed by Mr Kharazi as "just a manoeuvre to have influence in the area, to show that they have influence in the countries of the Persian Gulf".

Iran's leaders appear to be anxious to avoid any new quarrel with Britain but also wish to correct any impression that they are begging Britain to reopen its embassy. It is known that the British Government wants to raise a number of issues including the continued detention in Iran of two British citizens, Mr Roger Cooper and Mr Nicholas Nicola.

Floods spread in Sudan

FLOODS which have made 1.5m Sudanese homeless have spread to large areas in the north and officials warned yesterday of fresh flooding in the capital, Khartoum, Reuter reports.

The city, with a population of 4m, was without fresh water or electricity yesterday for the sixth successive day and Sudanese diplomats in Nairobi said more flooding was expected. They said the waters of the Blue Nile were mounting behind two dams, forcing the authorities to open dykes.

Aid agencies in the country have appealed for 16,500 tonnes of food.

Morocco likely to clinch IMF credit deal

Francis Ghilès reports on the pace of economic reforms

A STANDBY credit for the Kingdom of Morocco, worth SDR220m (£166m), which will run until December 1989, is expected to be approved by the board of the International Monetary Fund later this month. It will replace an earlier loan which expired last June, but negotiations have dragged on because Morocco had not been able to meet all the Fund's targets.

Morocco only succeeded in reducing its budget deficit to 5.7 per cent of GDP, virtually unchanged from 1986's 5.8 per cent, as against a 4.7 per cent target.

The IMF was also not happy with the slow pace at which subsidies on cereal-based staple foods are being reduced.

Mr Berrada's charm and negotiating skills were not the only factors which inclined the IMF towards a somewhat lenient attitude towards the pace of Moroccan reforms. The recently published annual report of Bank Al Maghrib, the country's central bank, says that gross domestic product increased by only 1 per cent last year, against 5.8 per cent in 1986, because of the poor performance of the agricultural and mining sectors.

However, the Kingdom enjoyed a current account surplus in 1987 for the first time since 1974. The balance of trade was helped by a 4.5 per cent increase in the value of exports to Dirhams 23.59bn (£1.61bn), while the level of imports remained unchanged at Dh35.27bn.

For the first time, the Office Cherifien des Phosphates (OCP), the state phosphate monopoly, derived greater export earnings from phosphoric acid (Dh3.6bn) than from phosphate rock (Dh3.08bn). OCP remains the largest exporter of phosphates in the world.

Net earnings from tourism increased to Dh6.7bn, while remittances from expatriate Moroccan workers were equivalent to the trade deficit.

For the second year running, according to the central bank, Morocco suffered a net outflow of foreign exchange, despite the fact that capital repayments of the Kingdom's $18bn foreign debt decreased from $584m to $464m.

Another subject of satisfaction in Washington is the steady decline in state arrears, which fell by about one third last year to Dh4bn. Five years ago they had topped Dh10bn, handing the private sector a perfect excuse for avoiding paying taxes.

Although tax revenues are increasing, notably on VAT receipts, the narrowness of the tax base remains a considerable brake on the Government's ability to increase capital spending. The farming sector, for instance, is exempted from taxes until the year 2000

But a policy which made sense when agricultural production was declining – last year it fell by 13 per cent – makes no sense now, when excellent rainfall has ensured the best crop since independence.

However, many observers would argue that a 20 per cent ratio of capital spending to GDP is more than respectable, if only certain prestige projects, such as the new mosque to be built by the sea in Casablanca, were avoided and more funds earmarked for education and infrastructure.

It is to the Government's credit that arguments for and against tax holidays for investors, about the costs of not taxing agriculture and about poor management of many insurance companies are now aired in public.

As befits his station, the Governor of Bank Al Maghrib, M Ahmed Bennani, remains sober in his assessment of the efforts required to put the Kingdom's finances, external and domestic, on a sounder footing. Morocco, he concludes, "is still living above its means."

AMERICAN NEWS

Brazilian finance chief 'near quitting' over spending row

By Ivo Dawnay in Rio de Janeiro

MR MAILSON da Nobrega, the Brazilian Finance Minister, was reported yesterday to be close to resigning following an angry dispute with three fellow ministers over Brazil's public sector pay policy.

Mr da Nobrega is said to have told President Jose Sarney's Chief of Staff, Mr Ronaldo Costa Couto, that the failure of colleagues to acknowledge the urgent need to squeeze expenditure was making his job unsustainable.

The minister's fury *came* after Mr Antonio Carlos Magalhaes, the Communications Minister, had authorised a 35 per cent pay rise for nearly 200,000 government workers' employed in the post office and telecommunications.

This followed similar decisions on pay by Mr Aureliano Chaves, the Mines and Energy Minister, and Mr Prisco Viana, the Housing Minister, for workers in their sectors.

Officials at the Finance Ministry had been working on a scheme to reimburse public sector workers with some of the inflation-linked pay rises suspended as an emergency economy in April and May.

Such a *measure was* expected to be announced by President Sarney yesterday afternoon. By anticipating this move, however, Mr Magalhaes is seen as having publicly and humiliatingly undermined Mr da Nobrega's authority over economic affairs.

Finance Ministry officials are arguing privately that the prime responsibility for the row must rest with President Sarney's failure to impose stricter discipline on his ministers. The three who have *sanctioned the* pay rises happen however to be the president's closest allies, thereby ruling out any likelihood of their being ordered to quit.

Most observers expected yesterday that Mr da Nobrega would not carry through his resignation threat – a move that would seriously undermine the Sarney Administration's credibility alongside that of its austere economic programme.

However the affair leaves Mr da Nobrega looking still more isolated within the Government at a time when he is preparing a new round of economies to be imposed on his ministerial colleagues in the 1989 *budget*.

Dominican Republic shuts finance companies

THE Government of the Dominican Republic on Tuesday closed 36 of the country's 300 privately owned finance companies after a rush of withdrawals pushed them into a liquidity squeeze, Reuter reports from Santo Domingo.

Mr Zenaida Santos, Dominican Republic's banking superintendent, said that the authorities had taken over administration of the companies and would evaluate their assets in preparation for liquidation to pay back investors.

Mr Santos could not give a figure for these assets, but banking sources put them at around 300m pesos ($50m).

Finance companies in the Dominican Republic fund a wide range of industrial and commercial activities, offering 36 per cent interest on fixed deposits, compared with 24 per cent in commercial banks. The crisis began two months ago when the *La Monetaria* group closed for lack of liquidity.

Bolivia debt restructured

BANK OF AMERICA, the agent bank for Bolivia's sovereign debt restructuring, said the current phase of debt reduction programme has been completed, AP reports.

The programme reduces commercial bank foreign debt by nearly half through the repurchase of $254m in loans from individual creditor banks, the sale of $64m in local currency bonds to creditor banks and $16m in debt donation.

Space shuttle passes milestone test firing

THE US space shuttle, *Discovery, yesterday passed a* milestone on the road to its launch later this year when its main engines were successfully test fired for 22 seconds, AP reports from Cape Canaveral.

Firing had been delayed five times in two weeks by technical problems and was critical to certifying the shuttle for the first manned space mission since the Challenger disaster. The launch is set for late September, but much work remains, and many believe it *will be delayed until October*.

Still facing Nasa is the problem of fixing a small gas leak in a steering engine system that is separate from Discovery's three main engines.

Discovery remained bolted to earth throughout the 20-second exercise, which is considered a vital step by the space agency Nasa in verifying whether the shuttle is ready for a return to space.

Jubilant Nasa officials declared the test a complete success. The buoyant mood contrasted sharply with the sombre atmosphere that prevailed last Thursday, when the first test attempt was aborted just before engine ignition.

That failure was another in a series of setbacks for Nasa in its effort recover from the Challenger disaster. The shuttle fleet has been grounded since January 28, 1986, when the shuttle Challenger exploded after lift-off, killing all seven astronauts on board.

Nasa engineers concluded *that a faulty valve sensor was* to blame for last week's abort and replaced the valve system.

The test had been delayed five times and finally took *place nearly three weeks after* its original target date.

Sources at Nasa said that test delays, coupled with other unresolved technical troubles, *are expected to force postpone*ment of Discovery's launch until early October.

Nasa had originally planned lift-off for early September. Officials said the outcome of the test firing would be a key factor in setting a new launch date.

The engine ignition was one of two remaining hurdles to Discovery's launch. A final full-scale test firing of a redesigned booster rocket is set for August 18.

On the brink of a new insurgency

Tim Coone reports from Managua on rising tensions in Honduras

THE FAMILIES of two people assassinated by death squads in 1981 must be compensated, according to a ruling at the end of July by the Interamerican Court of Human Rights.

The ruling against Honduras, by an official body of the Organisation of American States, comes as the country is poised on the edge of a new spiral of violence: the death squads have re-emerged, left-wing guerrillas have once again begun to organise and operate, accusations of drug-trafficking hang over the armed forces and leading political figures, and a collapse of the *10,000* strong US-backed Contra army could unleash an added and unpredictable element of violence and crime within the country that has been their *host* for the past seven years.

Add to that a weak Government and the growing presence and involvement of US troops in military operations in Honduras, and the ingredients are present for a new counter-insurgency war in Central America.

Mr Alonso Martinez, a spokesman of the Cinchonero guerrilla organisation who recently passed through the Nicaraguan capital Managua, and whose organisation broke away from the Communist Party in 1980, says the guerrillas too are regrouping: "Within a relatively short time we will have a strategic military command operating within the northern mountains of Honduras." US transnationals operating in the area will, he adds, be among the group's targets.

The Cinchoneros were almost wiped out in the early 1980s. The armed forces, under the leadership of General Alvarez Martinez, carried out a violent counter-insurgency campaign during which thousands of people were tortured and over 200 were assassinated by death squads.

Mr Alonso Martinez (no relative of the general) says "we were ill prepared for the repression, and it hit us very badly. But we have been rebuilding the organisation, we have rethought our strategy to carry out rural rather than urban-based warfare and we will soon be ready to go on the offensive."

Recent attacks on US servicemen in the country have been claimed by the Cinchoneros; according to Mr Martinez, several skirmishes have also taken place over the past year in the mountains of the northern province of Yoro, where the guerrillas are attempting to establish a permanent base, during sweeps by Government and US troops.

He insists: "We are not receiving any external support, which limits our ability to grow and to act but also gives us independence. We intend to be self-sufficient. We are learning to live from the jungle and when we are ready no-one will be able to get us out of there".

The wave of anti-Americanism in Honduras reached a peak last April when the US consulate in the capital Tegucigalpa was gutted by an angry mob of demonstrators protesting at the summary extradition to the United States, of a powerful supposed drugs trafficker, Mr Ramon Matta, sidestepping the normal legal channels. Five Hondurans were shot dead by US Marine guards during the incident, further inflaming passions.

Opponents of the Government claim that Mr Matta was surrendered to the US in order to ease pressure on other senior figures accused of involvement in the drugs trade.

The demonstration that led to the burning of the US consulate was apparently led by right-wing figures and powerful associates of Mr Matta, but it was joined by the left-wing for tactical reasons. "Otherwise it will be our people next," said a Honduran exile presently living in Managua.

The now-permanent presence of over 2,000 US troops in Honduras, augmented by thousands more during regular joint exercises held with the Honduran army, and the displacement of an estimated 16,000 coffee farmers and their families in the south of the country due to the activities of the US-backed Contras, has helped to stoke anti-US feelings across the political spectrum.

Mr Nicolas Cruz Torres, a leading conservative deputy in the Congress, has received death threats after joining calls to expel the Contras from the country.

Little appears to have been done, however, despite an undertaking by the Honduran Government under the Esquipulas II agreement to prevent its territory being used by the Contras to attack Nicaragua.

Meanwhile, last January death squads gunned down in the street Mr Miguel Angel Pavon, a human rights leader, and a teachers' union leader. Both were members of centrist parties, and Mr Pavon was a member of Parliament.

Other liberal and left-wing leaders have also received death threats, from the "Anti-Communist Action Alliance", otherwise known as the "Triple-A", which ominously bears the same name as the organisation that assassinated hundreds of political and trade union leaders in Argentina during the 1970s.

Amnesty International, the London-based human rights organisation, has also recently alleged the torture of political detainees and the re-emergence of death squads.

For people such as Mr Alfonso Martinez of the Cinchoneros, the Government's apparent indifference or aquiescence to such incidents and the overwhelming influence of the US Government and the Contras in Honduras, is leading to a political polarisation of the country – in his words, "creating the conditions for revolutionary guerrilla warfare".

He believes that the Government has no intention of fulfilling the Esquipulas II accords, and that regardless of any future peace agreement in Nicaragua, the political and social conflicts will continue to sharpen in Honduras.

"We are preparing ourselves militarily, but most importantly we must maintain the political initiative and remember that politics guide our rifles and not vice-versa," he said.

The ingredients are present for a new counter-insurgency war in Central America.

Borja inauguration draws Latin leaders to Ecuador

By Sarita Kendall in Quito, Ecuador

MR Rodrigo Borja's inauguration as President of Ecuador, due to take place yesterday evening, drew a large contingent of heads of state and other political leaders to Quito. Mr Borja, 53, is Ecuador's fourth constitutional President since the military returned to barracks in 1979.

Latin American presidents in the capital – including Mr Raul Alfonsín of Argentina and Mr Oscar Arias of Costa Rica – have stressed the importance of this boost to Latin American democracy.

Mr Fidel Castro, Cuba's leader who has not been to South America since a visit to Salvador Allende the late President of Chile who was killed in 1973, was cheered around Quito as he laid a wreath and went to the cathedral.

Cuba's leader Fidel Castro arrives in Quito, Ecuador

Hopes rise for end to unitary tax dispute

By Peter Montagnon, World Trade Editor

HOPES of an end to the dispute between the UK and the state of California over unitary taxation have risen following a visit to Sacramento this week by a delegation of British MPs, businessmen and officials.

The delegation, which was due to return to the UK last night, has been lobbying for changes in California's tax laws to make it easier for British companies operating there to elect to be taxed only on their local California operations rather than on their worldwide revenues as the unitary system prescribes.

"We are certainly hopeful of getting all of our amendments into the legislation. There seems to be a lot of sympathy," said a spokesman for the delegation, led by Mr Michael Grylls, chairman of the Conservative backbench Trade and Industry Committee. The California legislature is in the final stages of drafting so-called "clean-up" legislation to its unitary tax laws passed in 1986.

Britain's main hope is that this will include an end to one existing provision whereby companies which elect to be taxed only on their local income can lose this privilege if they fail to comply with deadline requirements for filing tax returns. It is also seeking other changes designed to make the tax treatment of British companies in California more predictable.

The final version of the new Californian legislation is due to be unveiled in Sacramento on August 23. If it satisfies the UK's criticisms, pressure on the British Government for retaliatory action is likely to recede. The UK adopted statutory powers to retaliate against California in 1985, but has not used them. They are to be reviewed at the end of the year.

Mitterrand for US

PRESIDENT Ronald Reagan will meet French President François Mitterrand at the White House on September 29, Reuter reports from Washington.

WORLD TRADE NEWS

ECGD hints at resumption of credit as traders prepare for Gulf ceasefire

By Peter Montagnon, World Trade Editor

BRITAIN'S Export Credits *Guarantee Department hinted* yesterday that it may resume medium term export credit cover for Iran in the wake of the Gulf War ceasefire.

The ECGD is actively reassessing its policy on Iran for which medium term cover was suspended in 1979, a spokesman said, although he added *that a decision is not imminent* and will depend on a number of factors.

Though political relations between the UK and Iran have improved recently with the despatch of Mr David Reddaway, a middle-ranking Foreign Office official, to take charge of UK affairs in Tehran, the ECGD is likely to await further developments after the ceasefire before making any firm decision.

It will also want to see how other export credit agencies respond to the ceasefire and will pay close attention to the need to maintain the competitive standing of British companies in the Iranian market, the spokesman said.

Iran has not rescheduled its official debts through the Paris Club and has paid back many of the borrowings incurred before its 1979 revolution. Bankers say this makes it relatively underborrowed, but its *ability to raise finance to pay* for reconstruction work after the war will still depend heavily on the attitude of official export credit agencies.

A decision by Britain to resume export credit cover would also depend on an assessment of whether this would help ensure that Iran would *continue to service* its remaining pre-revolutionary debt, the bankers said, although the ECGD declined to comment on this point.

But it is likely that the fate of Mr Roger Cooper, the British businessman held in Iran, as well as British hostages in the Lebanon would be less of a factor. Traditionally ECGD cover policy is determined by economic rather than political considerations.

The ECGD has maintained limited medium term cover for Iraq throughout the Gulf War and has been rewarded by Baghdad's willingness to service British debts promptly. The next opportunity to consider whether cover for Iraq should be increased will come with the ministerial meeting of the joint commission on Anglo-Iraqi trade, scheduled for the first week in November in Baghdad.

Last year the two sides *agreed on £175m worth of cred*its of which £75m was specifically designated to fund the purchase of pharmaceuticals.

Though medium term cover *is not available for Iran, short* term cover was restored in 1982 and in 1986 the maximum period for such cover was increased from six months to *one year*.

● Mr Bill Hayden, Australian Foreign Minister, arrived in Tehran on Wednesday to discuss trade and post-war reconstruction, the Iranian news agency IRNA said, Reuter reports from Canberra.

His visit coincided with the arrival of the first UN observers assigned to monitor the Gulf War ceasefire. IRNA said Mr Sosuke Uno, Japan's Foreign Minister, would also visit on the August 20 truce deadline.

Mr Hayden, also Trade Minister, will have talks with Mr Ali Akbar Velayati, the Foreign Minister, who returned on Wednesday after two weeks of UN talks on the truce, embassy officials said. Mr Hayden is also due to meet President Ali Khamenei and Prime Minister Mir-Hossein Mousavi.

IRNA said the Japanese foreign minister was invited by Mr Velayati but gave no further details. Iran's ambassador to Tokyo on Tuesday invited Japan to participate in post-war projects.

● South Korea may receive *construction orders worth* between US$15bn and US$17bn from Iran and Iraq in the first five years after the two countries begin full-scale restora*tion works following* the cease-fire in their war, the Korea Institute of Economics and Technology said yesterday, AP reports from Seoul.

South Korea is also expected to export $5.3bn worth of goods to the two Middle East nations from 1989 to 1993, Kiet said in an analysis of economic effects of an end to the Iran-Iraq war.

Iran will place construction orders worth $45bn to $50bn, compared with $35bn to $38bn for Iraq during the period, the analysis said.

South Korean construction companies may receive orders worth $9bn to $10bn from Iran and orders worth $6bn to $7bn from Iraq for the next five years, it said.

During the period, Iran and Iraq are likely to import goods worth $102bn and $107bn respectively, with South Korea's commodity exports to Iran expected to reach $3.5bn in the industrialised countries.

Japan-US group signs Turkish power deal

By Jim Bodgener in Ankara

THE TURKISH Government yesterday signed an exclusive negotiating agreement with a consortium sponsored by Japan's Chiyoda Corporation and Westinghouse Electric Corporation of the US for Turkey's first build-operate-transfer deal for a big thermal power plant.

The "exclusive memorandum of time-scheduling" is for a $1.2bn (£711m) deal for a thermal power plant at Yurmurtalik on the Bay of Iskenderun in south-east Turkey and also covers an associated coal port.

It is the outcome of a tense finale to negotiations stretching back more than three years with rival consortia. In the closing stages, first ASEA Brown Boveri, then Bechtel and finally the Chiyoda-Westinghouse group took the lead.

The main shareholders in the power plant company will be the Turkish Electricity Board (TEK) with 30 per cent, a Chiyoda group of companies with 24 per cent, and Westinghouse with 7.5 per cent. The remainder will be divided up in smaller stakes between other companies including Turkish contractor Gama and Australia's Sea-pac Control Services. In the past two months, Chiyoda and Westinghouse have substantially re-jigged the financial and equity structure.

The port will be a separate, wholly private commercial enterprise with no government participation, although the shareholders in the port will also own equity in the power station venture. Its first two stages will cost a combined $178m and have a handling capacity, together with a stockpile, of 7m tonnes of steaming coal annually, which eventually will rise to 10m tonnes. The main shareholders will be project manager MAN of West Germany and Leighton-Hochtief, an Australian joint venture.

The agreement provides the Chiyoda-Westinghouse consortium with assured exclusivity in negotiations for Turkey's first power station, although once financing has been arranged a proposal for a second plant will be picked up from among the runners-up.

Indonesia raises its LNG exports to Japan

By John Murray Brown in Jakarta

INDONESIA, the world's largest exporter of liquefied natural gas has agreed to supply Japan, its principal customer, with additional ship*ments worth around $225m* a year.

Pertamina, the state oil company, signed the contract with Osaka Gas, a Japanese public utility, for 1.45m tonnes over five and a half years, bringing Indonesia's total world LNG exports to 19.1m tonnes a year, officials said.

Mr Kusmadi Endin of Pertamina *said Indonesia now had* over 50 per cent of the Japanese gas market. "The new contract indicates Indonesia can make a breakthrough in selling more LNG to Japan, even though competition is getting fiercer."

Indonesia has 20-year LNG contracts with eight Japanese power utilities to supply around 15m tonnes annually, under an agreement first signed in 1973.

Chubu Electric Power last year agreed *a 3-year deal for* 2.12m tonnes annually in addition to the 3.65m tonnes already taken under the long term contract.

Indonesia starts full delivery of 35 LNG cargoes to South Korea, under a 20-year agreement for 2m tonnes annually. Under a similar 20-year deal China Petroleum Corporation *of Taiwan is to buy 1.5m* tonnes annually, the first shipments of which are due to start in 1990.

According to official figures, Indonesia's gas exports in 1987 increased 8.5 per cent in volume to 17.68m tonnes but declined in value 13.5 per cent to $2.4bn.

Container traffic growth likely to slow this decade

By Kevin Brown, Transport Correspondent

WORLD container traffic is likely to grow at less than 5 per cent for the rest of the 1980s, compared with around 8 per cent a year since 1985, according to a report* published by Ocean Shipping Consultants of the UK.

The report, Container Port Pressures to 1995, says all the world's main trade routes have now been containerised, together with the great majority of lower volume routes.

This means that future growth will depend on the rate of expansion of trade volume, which is largely dependent on world economic growth, rather than on route conversion.

The report says the growth in traffic in the first half of the 1990s will be between 3.5 per cent and just under 5 per cent, depending on the rate of economic growth, particularly in the industrialised countries.

However, the low overall forecast rate of growth in traffic disguises wide variations between regions. For example, *South East Asia is expected to* handle up to 11.5 per cent of world traffic by 1995, compared with less than 10 per cent in 1987, while the North American share of the market is forecast to fall from 23 per cent to 21 per cent over the same period.

Planned increases in capacity could cause competitive pressures to sharpen considerably in the late 1980s, but this is unlikely to persist into the 1990s, if port investment is restrained, the report says.

**Container Port Pressures to 1995, £380 (UK only) or $690 from Ocean Shipping Consultants, Beacon House, South Road, Weybridge, Surrey.*

Komatsu springs surprise as the backhoe goes East

Nick Garnett on why the Japanese company is to import construction machines which lack a ready-made market

KOMATSU, the Japanese earthmoving machinery maker, has made an announcement which, *at first glance, looks rather* curious.

It has decided to sell in Japan a piece of European-made equipment which has no proven market in Japan and which will compete head-on with some of Komatsu's own products.

Komatsu is to market back*hoe loaders supplied by FAI*, a family-owned Italian manufacturer. A tractor-type vehicle with bucket in the front and digger at the back, the backhoe *is hardly used in Japan* where the predominant earthmover is the hydraulic excavator.

The deal with FAI has sparked two questions among European machinery makers. Is the agreement largely a political move by Komatsu as part of a general campaign by Japanese industry to try to show that it is operating more fairly in international trade?

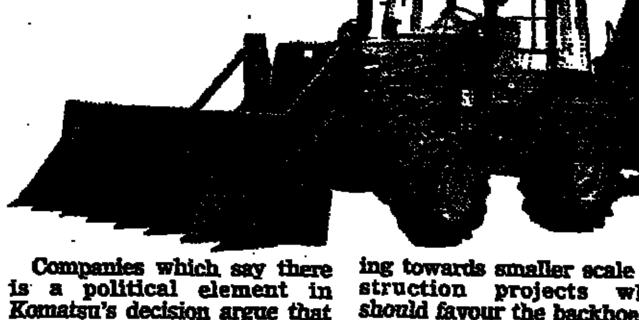
And if Komatsu is serious about marketing backhoes, what long-term impact will this have on the already over-crowded world market for this sturdy workhorse?

This is of particular concern to JC Bamford of the UK, the world's second largest supplier of backhoes; its backhoe machines accounted for almost 9,000 of the total of 12,500 machines the company made last year. An active cam*paigner against* Japanese equipment dumping in the European Community, JCB was also approached by Komatsu as a possible supplier of backhoes but the talks fell through.

The world market for backhoes in 1987 was 42,000 units. This compares with a peak of 46,500 in 1979 and a low of 27,500 in 1982, the depth of the recession in construction machinery.

According to figures from JCB, Case of the US had one-third of the market, followed by JCB with 19 per cent and Deere with 12 per cent.

Caterpillar, the world's largest earthmoving machinery company, started manufacturing backhoes only two years ago and has already built more than 10,000, implying a market share at or beyond that of Deere.



Companies which say there is a political element in *Komatsu's decision argue that* its supply arrangements with FAI might help the Japanese company's public profile in Europe and, in particular, in Italy where its market penetration is poor.

Komatsu will even sell the backhoes under the FAI name even though its normal method of marketing European-made equipment is to brand them Komatsu and sell them in Komatsu colours.

Japan is moving towards smaller construction projects which should favour sales of the backhoe

These companies point out *that the confusing thing* about the Komatsu deal from a marketing point of view is that the imported backhoe will compete directly with one of the Japanese company's main product lines, the mini excavator.

Domestic demand in Japan for mini excavators up to six tonnes is huge. Komatsu estimates the market at about 35,000 units per year and claims a one-third share of these sales.

The Japanese company says that it is purely an industrial and marketing *decision* to sell the FAI backhoe in Japan.

Mr Satoru Anzaki, Komatsu's general manager for domestic sales, is adamant that Komatsu will generate backhoe sales in Japan. It intends selling the backhoe initially for snow clearing and cable and pipe laying work.

The Japanese market is moving towards smaller scale construction projects which *should favour* the backhoe and the value of the yen makes imports cost competitive, the company says. Komatsu could also point out that, before the arrival of the mini excavator less than 10 years ago, several hundred backhoes a year were sold in Japan.

Another industrial reason for taking the FAI machine might be the position of its competitors. Earlier this year, Hitachi announced that it was to import into Japan backhoes made by Deere *in the US* but branded as Hitachi machines.

Komatsu has also seen the success with the backhoe achieved by its arch rival, Caterpillar, though *not* in Japan.

FAI, the largest Italian maker of backhoes, says it would like to sell its product in the US which accounts for 57 per cent of world backhoe sales.

It remains unclear whether this would be done through Komatsu's sales network in North America, which is being merged at the moment with that of Dresser, the US machinery maker. Komatsu and FAI say they have not discussed the prospect of selling the machine in the US.

Mr Gilbert Johnson, chief executive of JCB which has recently been reducing its dependence on the backhoe by expanding production of telescopic handlers and excavators and introducing a small dump truck, says Komatsu's decision seems to have both political and marketing reasons.

"I think they also want to test the water with the FAI model. Komatsu is just another competitor but it would make the market that much tougher."

هكذا من الأصل

هكذا من الأصل

Companies urged to make use of share repurchases

By Clive Wolman

COMPANIES should make greater use of provisions allowing them to buy in their own shares, the City Capital Markets Committee, a specialist committee set up by the Bank of England, advocates today.

Share repurchases by companies are common in the US – some 650 American companies announced repurchase programmes in the immediate wake of October's stock market crash, and those appeared to exert a stabilising effect on share prices.

In the UK, however, share repurchase programmes – permitted under the Companies Act since 1981, subject to tight constraints – have remained minimal. The only large share repurchase programmes have been those initiated by the General Electric Company, J. Rothschild Holdings, Guinness and several property companies.

A Capital Markets Comittee paper, being published in today's Bank of England Bulletin, says share repurchases by companies are justified as a way of returning surplus cash to shareholders.

Otherwise companies might be tempted to use the cash to finance investments with low expected returns which would have been difficult to justify if they had had to rely on external sources of finance.

This highlights the clash of interests between managers and shareholders. "Managers may prefer to see their companies grow even if the marginal rate of profitability is brought to a lower level than shareholders could obtain elsewhere," the paper says.

However, "simply facilitating the distribution of surplus cash to shareholders may not be enough: what is required is a change of managers' attitudes, and this in turn may require a change in investors' attitudes."

The paper acknowledges that the distribution of surplus cash, when desirable, can be achieved through higher dividend payments or, if a one-off distribution is desirable, through a special dividend.

But, it says, although dividend payments ensure that all shareholders are treated equally and do not have to incur transaction costs, there are also significant arguments against the use of dividends.

"The ability to repurchase shares is a useful weapon in a company's financial armoury."

Ralph Atkins writes: House price rises appear to have no direct effect on regional unemployment rates or earnings growth, says a labour market report in the bulletin.

The paper finds that there is little variation in wages between regions – meaning that changes in demand lead to differences in employment and not in earnings.

The study looks at variations in house prices in different parts of Britain. It disputes the argument that housing costs, by discouraging migration from region to region, affect hourly earnings in different areas.

It also says there is "no convincing role" for either variations in earnings or housing prices explaining regional unemployment rates.

The paper gives a warning that the disparity in economic performance between the regions of Britain could lead to above-average pressure on prices in some areas.

Mastercard seeks building society and bank partners

By David Barchard

MASTERCARD, one of the two major international credit card issuers, is to enter the UK market directly and allow British banks and building societies to join it and issue credit cards carrying its brand name.

The move is part of a worldwide contest for market share between Mastercard, which has 144m cardholders worldwide and Visa, its main rival among the international payments systems, which has 178m cardholders.

Until now Mastercard, which is based in New York, has been represented in the UK by the Joint Credit Card Company which is owned by six British and Irish banks and issues Access cards to about 13.2m cardholders.

Unlike Visa, the JCCC operates as a limited company and has not accepted new members in recent years. However, both the UK members in the JCCC and the American banks in the Mastercard organisation have clearly been alarmed at the recent growth by the Visa network in the UK market.

The Visa network has 15.3m cardholders in the UK. This and its brand image and its more open membership arrangements have attracted the new entrants to the credit card market. Four building societies have launched credit cards since the beginning of the year and all have opted to go into Visa.

The banks which own Access through the JCCC are unwilling to surrender ownership of what they regard as a strongly branded product but they want to prevent the erosion of Mastercard network in the market.

Their solution is to retain Access as a proprietary operation while allowing new card issuers to join Mastercard, a pattern which closely resembles the UK operations of the Visa network.

Mr Tony Lee, chief executive of JCCC, said yesterday that Mastercard was negotiating with several potential members in the UK. He declined to identify them, but larger building societies which have not yet announced plans for their own credit card operations would seem to be the most likely candidates.

Mr Patrick Bowden, head of business development at Visa International's London office, claimed that the new Mastercards might face problems of recognition in a market currently dominated by Access and Visa.

In Brief

NatWest to reorganise internal operations

National Westminster, the UK's largest commercial bank, is to reorganise internal operations from next year, restructuring around customer groups *rather* than products.

The bank will operate through three divisions: UK Financial Services, covering domestic banking for individuals and smaller businesses; International Businesses, covering overseas retail activities; and Corporate and Institutional Banking, serving big UK and overseas companies.

Trafford revival

Trafford Park Development Corporation unveiled schemes worth £88m to revive one of Europe's oldest industrial estates.

Doubts over IRA talks

Senior Social Democratic and Labour Party MP Mr Eddy McGrady questioned the validity of his party's talks with Sinn Fein while the IRA military campaign had intensified.

Air Europe Paris fares

After extensive talks between the French and UK governments, Air Europe has won permission to offer a London-Paris business class fare of £92 single and a budget fare of £69 (open return for £138).

Tower popular haunt

Westminster Abbey (3.5m visitors) and the Tower of London (2.29m) were the most popular historic buildings with tourists last year and 67m people visited England's historic buildings and gardens overall.

South lags in power

Electricity generating capacity in the south lags the north despite higher demand, the Central Electricity Generating Board said as it published details of its case for building a third nuclear power station at Hinkley point.

Peter Clowes

Clowes fund payout to be revealed

By Richard Waters

THE 7,000 investors in the UK fund run by the defunct Barlow Clowes group will today receive a mixture of good and bad news.

The good news is that they are likely to be promised a larger interim pay-out than they have so far been led to expect.

The bad news is that both the Inland Revenue and Barlow Clowes International, the off-shore arm of the investment group, appear to have a valid claim over money found in the fund.

The revelations will be made at what is likely to be a stormy creditors' meeting for the UK-based Barlow Clowes Gilt Managers at Westminster Central Hall this morning. The meeting provides a chance for representatives from Cork Gully and Ernst & Whinney, the special managers appointed to handle the fund's wind-up, to make their first official progress report since the Barlow Clowes scandal broke more than two months ago.

The chance of a substantial payment was increased recently when it came to light that a handful of institutions, believed to be unit trust groups, had offered to finance a payment to investors, in return for taking an assignment over their claims against Barlow Clowes.

However, the amount that investors in the UK fund will ultimately recover is still in doubt. About £52m of the £54m in the fund has been recovered by the special managers but two substantial amounts could be deducted from this before it is distributed to investors.

The first claim is from the liquidators of Barlow Clowes International, the group's offshore fund.

The most recent indication is that about £16m of the money found in the UK fund had in fact been diverted from BCI. It was suggested at one stage by the BCI liquidators that the claim would only be £8m.

The second claim, from the Inland Revenue, could be larger. The Revenue is believed to have attempted to assess BCGM to tax on the grounds that it operated as an unauthorised unit trust.

Gilts sale draws £2.3bn bids for £750m stock

By Simon Holberton, Economics Staff

THE FIRST of the Bank of England's regular series of auctions of gilt-edged (Government) securities got off to a good start yesterday with the Bank receiving bids of more than £2.3bn for the £750m of securities on offer.

The Bank said that it considered the stock was well covered, a reference to level of over-subscription, and that the auction mechanism had worked well. It plans to hold another auction of gilts in either January or February next year.

The stock, and additional tranche of partly paid 8¾ per cent Treasury Stock 1994, was sold an average yield of 10.37 per cent, a level broadly in line with rates prevailing late yesterday morning just before the first auction results were published.

Activity in the market was concentrated among short-dated gilts which has tended to be the most actively traded segment of the market in recent months. Prices for longer-dated securities were broadly unchanged on the day.

Yesterday's auction was in marked contrast to the three experimental auctions the Bank conducted from May last year until January this year, which were not generally regarded as a huge success by the primary dealers in the gilts market.

Analysts thought that the good reception for yesterday's auction – in contrast to the response during the experimental auctions – vindicated the Bank's decision to use the auction method of selling Government debt, given the market's generally poor response to the experiments, especially the January offering. At that time the Bank offered £1bn of gilts and received bids of only £1.1bn.

Investors and dealers are allowed to trade an auction stock one week before it is issued. This trading, known as "when issued trading" failed in January to find a level for the stock at which investors and dealers where prepared to bid confidently.

In yesterday's auction the difference between the average accepted price and the highest accepted price was, in terms of yield, much less than in past experimental auctions.

There was strong demand for the stock after the auctions and at the end trading it had closed on a yield basis at around 10.20 per cent.

Analysts said the strength of the market after the auction reflected the fact that some investors and dealers had put in uncompetitive bids for stock they had already sold ahead of the auction. They were forced to buy it from the market at a higher price, they said.

They said that buying interest was broadly spead with building societies, professional traders and market markers all winning stock. Building societies, which had not previously indicated much interest in the auction, appear to have been encouraged to bid by the pre-auction rise in yields yesterday morning, dealers said.

Lex, Page 16

Huanyu TV plant on target for 70,000 sets this year

Financial Times Reporter

HUANYU ELECTRICAL, one of the biggest electronics manufacturers in China, is on target to produce about 70,000 television sets this year from its plant at Corby, in the east Midlands of England.

The factory, which is the first direct investment in Britain by the People's Republic of China, has been operating for nine months, turning out 14-inch and 20-inch colour sets.

Sales are chiefly to the UK market, with a small offtake by Ireland. The company is now promoting exports to France and Spain.

Part of Huanyu's technology was originally under licence from Hitachi, but that has now expired. Mr Alex Wacey, joint managing director of the UK operation, said that 85 per cent of the components, including tubes, are shipped from China via the port of Felixstowe. "We hope gradually to move towards more local components," he added.

The company has taken on 22 young unskilled men. They were trained partly in the local technical college and partly on the job. They have not joined a trade union, and are paid a little more than the "going rate" of £85 a week. There is a Chinese works manager on the assembly line and three Chinese technicians.

Mr Chen Shu Dong, joint managing director, said British workers were beginning to do well and were coming up to standard. Some of them would be sent to China for additional training.

He said he expected a similar Huanyu investment in the US before long.

Huanyu chose Corby because it offered grant assistance, a labour pool and warehouse space, and was geographically well-placed between London and the north of England.

A trading offshoot has set up its UK office in Corby, from which minerals, commodity and manufacturers' deals are expected to be made.

This has led Corby to hope that it might become the focus of future People's Republic investments in other industries.

BBC seeks funding plan for world TV news

By Hazel Duffy

THE BBC has asked J. Henry Schroder Wagg, the London merchant bank, to investigate possible sources of commercial finance for its planned world television news programme.

Research by BBC Enterprises has indicated that receipts from the sale of the satellite programme worldwide would cover about two-thirds of the annual costs.

This left a shortfall of £3.4m, which the BBC World Service had asked the Foreign and Commonwealth Office to make up. The application was turned down in March.

The FCO, which funds the World Service, said it did not consider the project an "appropriate" use of Government money, although it did not question the project as such.

Schroders has been asked to report back in three months on its investigations of commercial options for funding the production and distribution of the programme.

The bank will be looking at various satellite delivery systems in Europe and North America.

Considerable interest in the programme has been expressed in this part of the world.

The plan is that the radio coverage of the World Service, which has considerable respect abroad, would be linked up with BBC Television's technical skills to produce a nightly half-hour news programme.

Support for the relatively low-cost programme came from the House of Commons Home Affairs Committee in a recent report on the future of broadcasting.

"We accept that commercial finance should not be allowed to cast doubt on the integrity of the news service," it said.

Nonetheless, support for BBC programmes could be a good commercial proposition even where restrictions must inevitably be placed on the type of commercial involvement," the committee said.

It has called on the Government to make every effort to facilitate the marketing of this service.

Minister fends off nursing claims

By John Gapper and Charles Hodgson

MRS EDWINA CURRIE, junior health minister, yesterday played down mounting criticism of the Government over the manner in which 487,000 nursing staff are being regraded, describing union complaints as "premature and a little alarmist."

Mrs Currie was forced to break a holiday in the north of England to deal with the problem after union leaders walked out of meeting with National Health Service managers on Tuesday in protest at the implementation of a new clinical grading structure.

Because of the recent ministerial re-shuffle that accompanied the splitting of the new Department of Health from the Department of Social Security, all four health ministers were on holiday at once when fresh controversy arose over the regrading.

On Tuesday, unions denounced the Nursing and Midwifery Staffs Negotiating Council management side's interpretation of the new structure, which it was estimated in April would cost £803m – or 15.3 per cent of the pay bill – to implement.

They had expected most of the 77,000 ward sisters to be placed at Grade G on the new stucture, which would give them a minimum of £12,025 a year. However, the management side said that only one sister in each ward would get this rating.

This would mean the majority of ward sisters being placed on the lower Grade F by health authorities.

Unions claim this would lead to a series of re-gradings at lower levels than those intended by the nursing staff pay review body.

Mrs Currie said yesterday on BBC Radio that the Government had already allocated the "enormous sum" of £803m to the re-grading exercise, and it was not clear what evidence the nursing unions had for some of their "wild statements."

She said claims by the Royal College of Nursing that many nurses faced gaining little more than the 4 per cent interim rise in April were false. The Government expected more than 90 per cent to gain rises of six per cent or more.

The dispute has led to fresh pressure on the Government over the issue of National Health Service staffing.

The decision to fund the regrading was greeted with relief by Conservative backbench MPs in April.

There were calls for Mr Kenneth Clarke, the new Health Secretary, to return early from a motoring holiday in Spain.

Between the disco and a course on Tudor England

David Thomas finds Cambridge bustling with overseas students mixing instruction with pleasure

THE question, posed to about 100 foreign students in a lecture hall at Cambridge University, left the younger members of the audience giggling and the older ones nonplussed. "Are you here for instruction or for carnal pleasure on your version of the Grand Tour?"

Yet the analogy, made by Mr Brian Musgrove during a lecture on the Grand Tour, seemed peculiarly apt. Like the English aristocrats who set out for Italy in the 18th century, foreign students taking summer courses at Cambridge are seeking a judicious mixture of pleasure and instruction.

The emphasis was very much on pleasure later that evening at the international summer school disco. Instruction, at least in intellectual matters, was far from the thoughts of the young Americans, Germans, Italians, Japanese and Spaniards dancing in the University Centre across the river Cam from Darwin's house.

Early next morning, however, many Cambridge colleges were alive with foreign students speeding from dining hall to seminar room. Just one person was late for the Tudor England seminar in Trinity Hall, where 16 Americans spent an hour assiduously taking notes on Sir Thomas More from Mr Christopher Coleman, a London University history lecturer and veteran of Cambridge summer schools.

Cambridge was slow to recognise the potential of cultural tourism. Although its international summer school dates from 1923, the university ignored the US market for much of the post-war period.

Mr Martin Horrox, head of the international division at the extra-mural department, attributes this to the desire to concentrate extra-mural work on adult education in the university's immediate region, together with the lack of financial pressures before the 1980s.

This decade, by contrast, has seen an explosion of foreign students on courses organised by the university - just a part of a summer influx which includes students learning English in private language schools dotted round the town and all sorts of organisations hiring colleges for conferences.

Mr Horrox expects 1,500 foreign students to pass through university courses this summer - a fivefold rise from the start of the 1980s. Many are on the international summer school, open to people from throughout the world, which falls into two terms of four and two weeks. The four-week term, for instance, offers an introduction to Britain, plus courses on subjects ranging from English drama to the UK economy: it costs £725 for tuition, room, breakfast and dinner.

Other students are on programmes tailor-made for particular US universities, with the University of California at Los Angeles, Texas, Florida and Utah all providing large contingents. Some, like Florida, send only their own students. Others such as UCLA advertise generally for people who can afford $2,395 for a three-week session (not including travel).

About 250 people are in Trinity Hall this year on the UCLA programme, which is divided into two three-week sessions. Each participant opts for one course during the three-week stint from a menu which includes a history of British science, Britain and the sea, the English country house and Dickens.

Ms Susan Alef runs the programme for UCLA. Although numbers are a shade down on last year, which Ms Alef blames on the fall in the dollar, she detects large pent-up demand in the US for educational and cultural holidays.

Her nationwide advertising in magazines such as the New Yorker attracts recruits from all over the US. The age range is wide - from 18 to 87 - the social mix less so, since the programme appeals mainly to the middle classes and the already well educated.

There are a sprinkling of students and teachers who can earn credit for their degrees or careers from their time at Cambridge - credit which some say is easy compared with the work they would have to put in back home. But plenty of people on the UCLA programme seem motivated simply by a desire to learn.

Trinity Hall is a temporary home this summer for a professor of electrical engineering studying twentieth century English literature, a mergers and acquisitions lawyer reading about Churchill, a retired systems engineer doing a double stint on Darwin and maritime history - and many more.

Most take the study seriously. A day might consist of a couple of seminars in the morning, followed by a trip in the afternoon and an optional lecture in the evening. Participants usually write an essay or two during their three weeks.

"Most take far more care over their paper than the average undergraduate in Cambridge or London," says Mr Coleman. "On the whole, they will worry and worry about their papers in the last week. They will be typed or written out beautifully in long hand."

Yet despite the olde worlde charms of Cambridge - everyone gets a turn to eat at the high table in the college hall - it is still surprising that people used to the easy luxury of US hotels will put up with spartan student rooms. "When Carl and I arrived, we opened the door, looked in and frankly we were dismayed," admits Mrs Ann Nielsen, a retired aide in the Californian state legislature in Cambridge with her husband.

Most, like Mrs Nielsen, grow accustomed to the rigours: a quarter of UCLA participants this year were on previous courses and a further quarter signed up on the recommendation of friends.

This flow of cultural tourists is of considerable economic importance to Cambridge. Not only do the foreign students account for half the extra-mural department's £2m annual income, they also generate income for colleges, academics and town during the dog days of the summer. Surprisingly, however, the university itself does not siphon off some of the proceeds: it is apparently happy to let the extra-mural department plough the profit from the foreign students into its courses for British residents.

The economics of the operation was the last thing troubling the Tudor England course as we clambered aboard a coach for a tour of Suffolk churches. Lurking prejudices about coach-loads of ignorant Americans asking dumb questions had to be discarded. Our guide, Dr Diarmid MacCulloch an expert on Tudor Suffolk, had ensured beforehand that this group of Americans was way better informed about what they saw than the average Brit.

Kings College Cambridge: the city comes alive with foreign students speeding from dining hall to seminar room

هكذا من الأصل

هكذا منه الأصل

INTERNATIONAL APPOINTMENTS

Open Software Foundation names European chief

THE OPEN Software Foundation (OSF), incorporated as a non-profit industry supported research, development and software manufacturing organisation, has named Mr Henning Oldenburg director of its European operations.

The Foundation is committed to common standards in order that data and software can be used across entire ranges and sizes of computer systems, without technical obstruction being placed in its way. It aims to develop an open software environment based on UNIX operating system technology.

OSF sponsors are Apollo Computer, Groupe Bull, Digital Equipment, Hewlett-Packard, IBM, Nixdorf, Siemens and Philips. Initial funding, provided by the OSF sponsors, is more than US$100m.

Mr Oldenburg moves from Nixdorf Computer, where he was the Munich-based sales manager for Computer Integrated Manufacturing Europe and in charge of formulation and implementation of European CIM strategy.

He will be establishing a European office based in Brussels and will be responsible for the development of OSF activities throughout Europe. He will shortly be recruiting area directors with specific responsibility for a number of European countries.

Initially, his most important task will be to inform the public about the goals of the Foundation and to build the membership. In addition to sponsoring corporations, which pledge major financial and technical resources to OSF, it offers active-participation memberships to corporations, government agencies, computer hardware and software suppliers, and academic institutions worldwide.

Membership fees range from US$5,000 to US$25,000 a year. Members receive numerous technical benefits and services relating to new-product participation, including early and equal access to all new development activities.

For part of his Nixdorf career, Mr Oldenburg had served as national sales director, retail division USA.

Senior move for Tokai in London

TOKAI BANK, one of Japan's major commercial banks, has announced a change in senior management in London for its Regional Headquarters Europe operation.

Mr Sadao Yamanaka, following his recent appointment as director and general manager of Tokai's Tokyo branch banking division and Tokyo corporate banking division, is leaving London to take up his new duties in Japan.

During his spell of nearly three years in the UK, Mr Yamanaka has been successively director and general manager of the bank's London branch and, since its inception this spring, of the related Regional Headquarters Europe. His departure from London, the company added, marks something of the end of an era during which Mr Yamanaka has very much become a well-known and respected figure in the City.

Mr Kazuaki Ohmori, his successor at the regional headquarters, is due to arrive in London in mid-August to take up his new position, which will involve responsibility for the bank's activities, not only in Europe but in Africa and the Middle East as well.

Mr Ohmori is one of Tokai's most senior figures and well qualified for his demanding new role, having previously occupied the post of director and general manager, international planning and treasury division and subsequently international banking headquarters in Tokyo.

Rio Algom makes changes at the top

RIO ALGOM, one of Canada's largest mining concerns which is over 50 per cent-owned by the UK Rio Tinto-Zinc mining and industrial group, has appointed Mr Colin Macaulay president and chief operating officer and Mr Ray Ballmer to the new post of vice chairman, AP-DJ reports from Toronto.

The appointments took effect from August 1. Mr Ballmer was formerly president and chief operating officer. Mr Macaulay, 56, was chief executive of Namibia-based Rossing Uranium, in which Rio Algom holds a 10 per cent interest.

Rio Algom has no immediate plans to fill the vacant position of chief executive. Mr Ross Turner will remain chairman.

* * *

WEST GERMAN sports car manufacturer Porsche has named Mr Walter Gnauert finance director.

Porsche advertised the vacancy in January following the appointment of Mr Heinz Branitzki, the former finance director, to management board chairman last December.

Mr Gnauert, 51, was hired from Hako-Werke GmbH, where he was one of the managing directors. Hako produces machines for office and factory cleaning and for care of estate grounds.

American Tobacco elects chairman

FILLING THE post of chairman at American Tobacco since the beginning of this month is Mr Charles H. Mullen, aged 60, who has retained the other top titles at the company of president and chief executive officer.

Mr Mullen was elected to take over the chairmanship from Mr Thomas C. Hays, who became president and chief operating officer at the start of this year of American Brands, the parent of American Tobacco. AB has other major businesses in distilled spirits, financial services, hardware and office and home products.

After joining American Tobacco in 1950 as a salesman, Mr Mullen held various sales and management positions in the company. He was appointed vice president, sales in 1976 and senior vice president, sales in 1984. Last year, he was elected as executive vice president, and subsequently president and chief operating officer. He became chief executive this January.

* * *

FIRST PACIFIC Asia Securities (Thailand), a licensed brokerage house, named Mr Nukul Prachuabmoh chairman of the board and chairman of the executive committee.

The company, acquired by First Pacific Securities (Holdings) and two Thailand financial institutions, Bank of Asia and Finance One, last November, has been providing brokerage services since this March.

Mr Prachuabmoh was chairman of the Securities Exchange of Thailand (1978 – 1979) and Governor of the Bank of Thailand (1979 – 1984). He served as chairman of the board and executive committee of Siam Motors Ltd. and Nissan Co. (1986 – 1988).

First Pacific Securities is the holding company for the securities research and brokerage operations of First Pacific, a Hong Kong-based financial, trading and services group controlled by the family and associates of Indonesian-Chinese businessman Liem Sioe Leong.

Directors of First Pacific Asia Securities believe Mr Prachuabmoh's past experience combined with the strength of its shareholders will contribute to the rapid development of the company into a major Thai brokerage house serving both local and offshore investors.

The First Pacific group is merging its two main units, First Pacific Holdings and First Pacific International, into a new holding company called First Pacific, incorporated in Bermuda but with the group's head office still in Hong Kong.

The merger is due to be completed this month. As well as tax advantages, the Bermuda move is thought to be partly for political reasons, because of uncertainties about Hong Kong's future after the Chinese take over sovereignty from the British in 1997.

Corporate Finance Manager

Diversified International Plc

To £45,000 plus options London

Exceptional opportunity for a corporate finance professional to join a fast growing, international Group in a key position.

THE COMPANY

- Highly diversified, fast growing Plc with manufacturing and marketing subsidiaries worldwide.
- Turnover well over £500 million – very profitable.

THE POSITION

- Responsibility for managing relationships with merchant banks, brokers, the Stock Exchange and their overseas counterparts. Registrar etc.
- Wide ranging internal duties including advising on Group capital structure, vendor placings, new issues, dividend policy etc.
- Reporting to the Group Finance Director in the company's West End headquarters.

QUALIFICATIONS

- Graduate, ideally an accountant or lawyer, late 20s to early 30s.
- A corporate finance training is essential, either with a merchant bank, broker or international plc.
- Experience of corporate finance, capital markets, the Yellow and Blue Books required.
- A good team worker with drive and energy.

COMPENSATION

- Competitive base salary with a good package of fringe benefits. High capital potential through share options.
- Excellent opportunity for a City professional who wishes to move into a corporate environment or a Plc deputy seeking the top job.

Please reply in writing enclosing full cv quoting Reference G3176 to: 54 Jermyn Street, London SW1Y 6LX.

NB SELECTION LTD

SPECIALISTS IN SENIOR MANAGEMENT SELECTION 01-493 3385

Falkland Islands Financial Secretary

Applications are invited to fill the post of Financial Secretary with the Falkland Islands Government, which will shortly become vacant.

The rapid development of the fishing industry is bringing unprecedented change to the Falkland Islands and therefore the post of Financial Secretary will be a true challenge for the right candidate.

The Financial Secretary is an ex-officio member of the Executive Council and Legislative Council, and also the Commissioner of Currency, Commissioner of Income Tax, Chairman of the Old Age Pensions Board, and a board member of the Falkland Islands Development Corporation. In addition to being responsible for the preparation and co-ordination of the Falkland Islands Government budget, the Financial Secretary also has responsibility for the revenue and expenditure of South Georgia and the British Antarctic Territories.

Candidates should ideally have many years' experience of financial management, ideally at Senior Level in a former Colony or Dependent Territory. A formal qualification in accounting would be an advantage.

The successful candidate will be offered a two year contract by the Falkland Islands Government with mid-tour leave. The salary for the post will be £35,000 per annum with a 25% terminal gratuity. Subsidised accommodation with hard furnishings will be available together with other benefits normally enjoyed by expatriate officers.

For further information please telephone Tracy Millwood on 01-643 3311 Ext. 3105 or write to:

Crown Agents

The Crown Agents for Oversea Governments & Administrations, Overseas Recruitment Division, St. Nicholas House, St. Nicholas Road, Sutton, Surrey SM1 1EL.

YOUNG COMMERCIAL FINANCE MANAGERS

OXFORD

£ EXCELLENT + BONUS + CAR

UGC

UNIPART GROUP OF COMPANIES

1987, was an important year for the UNIPART GROUP OF COMPANIES. The Group emerged from its first year as a private company with significant increases in both profit and earnings and prospects for sustained long term growth have never looked better.

The UNIPART name was originally created in the 1970's, following British Leyland's decision to expand its parts and accessories operation to cover all cars. Today, the UNIPART GROUP OF COMPANIES is an international success story, in its own right. With a turnover approaching £430m, the Group distributes over 80 million parts worldwide and undertakes all aspects of its business with an enthusiasm that is as reassuring to the many customers as it is alarming to competitors. The Group's achievements and expectations are based on innovative and dynamic management, astute financial control and a well conceived business strategy designed, above all, to promote customer service.

It is against this background of growth and success that UGC embarks on the next exciting phase in its development. The Group considers the recruitment of a small number of select individuals as central to its plans...

Openings exist within UGC for qualified accountants, aged 26-32, who enjoy all aspects of management and who will already be working for a large organisation. Your responsibilities will cover a specific area of strategic interest to the Group, where you will be called upon to utilise all your skills in management and financial analysis. You will be expected to make an effective commercial contribution to the business and to the overall management of change.

If you have the confidence and technical skills to input on decision making at the highest levels, the rewards are the best available anywhere: You can expect an excellent salary, a choice of company car and a generous bonus scheme. Most importantly, career prospects, which could lead to a Directorship, are excellent.

As Consultants to UGC, we can provide a comprehensive briefing and an information pack.

Please contact: **BILL GREENWELL – 01-387 8118**

SCOPE EXECUTIVE

Financial Recruitment, Euston House, 81-103 Euston Street, LONDON NW1 2ET

A Division of Scope Executive (Recruitment and Consultancy) Ltd.

A MAJOR INTERNAL AUDIT ROLE WITHIN THIS RAPIDLY DEVELOPING FINANCIAL ENVIRONMENT

AUDIT CONTROLLER

West Yorkshire c £30,000 + Car + Substantial Benefits

The 1986 Financial Services Act opened several exciting new doors for a variety of financial institutions. Already with a substantial business portfolio as the world's No. 1 provider of home loans, the Halifax has responded rapidly in moving into new business areas. This places an even greater responsibility on the Internal Audit function, whose prime task is to ensure that the Society's systems and procedures are rigorously controlled and inspected.

Reporting to the Head of Internal Audit and responsible for a substantial team—and budget—your key role will be to develop, test and implement effective procedures and controls for internal audit in order to meet our business and legislative objectives. Systems assessment, computer audit and technical writing will be specific areas, together with ad hoc projects, and will combine to provide a challenging role for a seasoned Audit professional.

Almost certainly a professionally qualified Accountant, you'll have substantial audit experience, gained ideally within a building society or similar financial institution. You'll need a firm appreciation of DP systems and the ability to adapt rapidly to the pace of change in computers. You'll also need to relate easily to a wide range of managers and to be able to "sell" the audit function to all staff levels as a viable and essential service.

As well as the substantial salary, plus car, benefits include immediate concessionary mortgage facility, life assurance, pension, BUPA and relocation expenses, where appropriate, to this convenient location (M62-3 miles) on the verge of the Pennines.

Please write, enclosing full c.v., to the General Manager—Personnel & Services (Ref GJP), Halifax Building Society, Trinity Road, Halifax HX1 2RG.

HALIFAX

An Equal Opportunities Employer

PROPERTY FINANCIAL CONTROLLER

Exeter c.£25,000 + bonus +car

Our client is a privately controlled Property Investment and Development Company. Its broadly based portfolio includes commercial, residential and agricultural property in the south and west of England. Recent growth has created the need for an able financial manager to complete the senior management team.

Reporting to the Managing Director you will lead a small department and be responsible for the financial management and administration of the company on a day to day basis. More importantly you will develop and maintain contacts with sources of finance and provide informed advice on acquisitions, disposals and general business policy.

A dynamic qualified accountant aged around 35, you must be able to demonstrate well developed inter-personal skills and have worked successfully as part of a senior management team. Experience of property transactions will be an advantage; the ability to use your financial skills in the decision making process is essential.

Reply in confidence to Barbara Wood quoting ref: 171/F.

KPMG Peat Marwick McLintock

Executive Selection and Search

Linacre House, Southernhay East, Exeter EX1 1UG

OPERATIONAL AUDIT MANAGER

With the continuing growth of the Company, the Audit Department has recently been restructured and this has created a new senior vacancy for an Operational Audit Manager.

The Audit function comprises three areas: Field Audit, Computer Audit and Operational Audit which report to the Audit Controller.

You will be responsible for reviewing the effectiveness of the controls and operational processes within the companies in the THORN Home Electronics Sector. In addition you will have the task of co-ordinating the planning activity of the total audit department using risk analysis techniques.

To fulfil this challenging role you will be a Chartered Accountant with a strong internal auditing background and have previous management experience. It is unlikely that you will be currently earning less than £23,000 per annum.

The benefits package includes five weeks' holiday, BUPA, Pension Plan and a quality Company Car. Relocation assistance will be given.

Please telephone for an informal discussion or write with career details to:

Liz Gray,
Personnel Director Staff,
THORN Home Electronics International Limited,
Westlea Campus, Chelmsford Road,
Swindon SN5 7EY. Telephone: 0793 512888.

THORN HOME ELECTRONICS INTERNATIONAL

Finance Director Designate

£30,000 + car and executive benefits Kent

Our client is a leading name in private healthcare and close-shelter property development. Currently a subsidiary of a highly successful PLC, they have a substantial market share and an excellent reputation in their field. Having achieved a sound basis for further development, they have exciting growth plans. They now need a young, ambitious accountant to strengthen their small management team. Reporting to the Managing Director, you will be responsible for all aspects of the financial management of the company including:–

- financial input to the company's future strategy
- overall financial control of the company's developments and operating units.
- ad hoc commercial investigations.

You will also be responsible for the functional management of two regional accountants.

You should be a qualified accountant, preferably ACA, with about two years' post-qualification experience gained in commerce or in an investigations department of a large accounting practice. You will need a high level of commercial awareness coupled with the willingness to take on "hands-on" financial control responsibility. The ability to translate figures into meaningful management information to tight deadlines is essential. Prospects for the right person are excellent – in the short term, responsibility for matters such as treasury management will be devolved from the parent group; in the medium term, a board appointment will be offered.

Please write in confidence to Jane Woodward, quoting ref SHA.1169 at the address below.

Stoy Hayward Associates

MANAGEMENT CONSULTANTS, EXECUTIVE SELECTION DIVISION, 8 BAKER STREET, LONDON W1M 1DA

A member of Horwath & Horwath International

Financial Controller

City c £35,000 + Car + Bonus

We are acting for a progressive private company with metal trading activities worldwide and a turnover approaching £50m, who require an energetic Financial Controller to take responsibility for all financial matters.

Reporting directly to the Chief Executive, you will be expected to contribute to the profitable growth of the business by providing relevant, timely financial and management information. To achieve this effectively a thorough knowledge and involvement in the business as a whole will be essential.

You will be a qualified accountant, aged 28-40 with the inter personal qualities to motivate staff and command the respect of the Board. Previous experience in a financial institution is essential. While considerable opportunity exists to demonstrate commercial flair and enterprise, a prerequisite will be a strong shirt sleeves approach and a willingness to contribute to all aspects of financial control. The remuneration package will include a profit related bonus and other attractive benefits. Prospects exist for a Board appointment in due course.

Interested applicants should write enclosing a comprehensive C.V. and daytime telephone number, quoting ref: 251 to Barry Ollier B.A., A.C.A., Whitehead Rice, 295 Regent Street, London W1R 8JH. Tel: 01-637 8736.

Whitehead Rice

MANAGEMENT SELECTION

RECENTLY QUALIFIED

Windsor

A major British plc, our client is at the forefront of technology worldwide in a number of fields. Recent acquisitions have significantly increased the scope and the impact of the group and it is committed to further expansion, both organically and by acquisitions.

An ambitious recently qualified accountant is sought to strengthen its group accounting function – an excellent opportunity to gain initial commercial experience or to capitalise on that already gained by working in a small high profile team in the group's head office.

Making extensive use of computers, emphasis will be on group management and statutory accounting and providing accounting support and advice to subsidiaries. Success in this role will create excellent career opportunities at group or operating company level.

The competitive remuneration package includes, where appropriate, assistance with relocation.

Please write with full career details or telephone David Tod BSc FCA quoting reference D/644/MF.

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 01-405 3499

CJA

RECRUITMENT CONSULTANTS GROUP

3 London Wall Buildings, London Wall, London EC2M 5PJ
Tel: 01-588 3588 or 01-588 3576
Telex No. 887374 Fax No. 01-256 8501

A challenging appointment – scope to move to a more senior role in finance or to become a General Manager in 3-5 years

CJA

INDUSTRIAL FINANCE DIRECTOR – BRAZIL

RIO DE JANEIRO **£30,000-£40,000**

PART OF A WELL ORGANISED MAJOR MULTI NATIONAL INDUSTRIAL GROUP

Owing to promotion we invite applications from accountants ACA, ACCA or ACMA aged 30-40, who have gained at least 5 years practical industrial financial experience. Some overseas experience will be a definite advantage. The successful candidate will take responsibility through a team of 35 for the total Financial Control – involving the budgeting, forecasting, production of monthly management accounting information, update of systems, which are highly computerised, long range forecasting etc. The ability to make a significant contribution to the company's progress through setting priorities and meeting commercial deadlines is important. A flexible remuneration by way of salary and profit related bonus negotiable £30,000-£40,000 + car, non-contributory pension, free life assurance, removal expenses, children's education allowances and leave air passages. Applications in strict confidence under reference IFD4622/FT to the Managing Director:- CJA

Opportunity to build experience of Merchant Banking operations – a career appointment.

CJRA

INTERNAL AUDITOR – MERCHANT BANKING

CITY **ATTRACTIVE SALARY AND BENEFITS**

LONG ESTABLISHED AND EXPANDING LONDON MERCHANT BANK

For this appointment, we seek applications from candidates of graduate calibre, newly or recently qualified Accountants and preferably A.C.A. Ideally, we require an understanding of banking practice and systems, gained through post-qualification experience or in the audit of institutions in this sector. Reporting to the Audit Committee of the Board and, as a member of a small team, the successful candidate will be expected to make a major and constructive contribution to comprehensive financial and operational internal audit, including the compliance function. Essential qualities are presence, a positive approach, presentation skills and the ability to command respect and confidence at all levels. Initial attractive salary negotiable, commensurate with experience and qualifications plus customary banking sector benefits. Applications in strict confidence under reference IAMB21355/FT will be forwarded unopened to our client unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager: CJRA

3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ. TELEPHONE 01-588 3588 or 01-588 3576. TELEX: 887374. FAX: 01-256 8501.
ORGANISATIONS REQUIRING ASSISTANCE ON RECRUITMENT – PLEASE TELEPHONE 01-628 7539

Chartered Accountant

Special Projects

Surrey Mid Twenties **£26,000 + car**

This is a newly created position for the European headquarters of an international group which is backed by a major plc. It is the market leader, with an annual turnover in excess of £250 million, in its highly competitive and fast moving sector of the service industry.

Working closely with the Finance Director you will be involved on a variety of projects concerned with operational efficiency and financial control. An early priority will be to upgrade management information and reporting procedures in the European subsidiaries, using computer based systems. There is a young senior management team.

You must be a qualified accountant with a first class track record either in the profession or in commerce. An outward going personality is essential together with the energy, ability and commercial awareness to make a strong contribution to the profitable development of the business. Career and salary prospects within the group are excellent.

Please write in confidence to Anita Harris, quoting reference H953, at 84/86 Grays Inn Road, London WC1X 8AE (telephone: 01-404 5971).

CAMERON · SIMPSON
Consultancy · Search · Selection

Progress the audit standards for a major financial services group

to c£30K + benefits **City Based**

The TSB Group is a major force in the financial sector offering a diverse range of products and services. The Group Audit function is based in the City and provides a comprehensive audit review of the operating companies and the Group holding company on behalf of the main board.

In either of the positions below, you will be at the heart of that process, using your perception and judgement to enhance both audit standards and operational efficiency throughout the Group. In both cases excellent written and verbal communication skills are essential together with a degree and ACA/ACMA qualification and considerable experience in auditing financial services or a progressive commercial environment.

Group Audit Manager
c£30K + car

Reporting to the Controller, Group Audit, you will supervise the Group's management audit, devise new approaches to a wide variety of audit and operational problems, and advise on the development of standards, guidelines and practices. You will also travel extensively to monitor standards in member companies, and develop the study groups by which audit practices are advanced.

Group Audit Executive
up to £26K

Liaising with staff at all levels, your role will involve monitoring standards in all Group companies, reporting on the adequacy of their audit procedures, and contributing towards the improvement of operations functions. You will assist in upgrading audit practices, planning and implementing the Group management audit, and in various special projects as required.

Both posts command highly attractive salary packages including a mortgage subsidy and other financial sector benefits.

To apply, please write with full CV to Stuart McLeod, Personnel Executive, TSB Group plc, 25 Milk Street, London EC2V 8LU. Tel: 01-606 7070.

TSB GROUP

CARING FOR CAREERS

GROUP FINANCIAL ACCOUNTANT
City c.£25,000+benefits
The most successful Securities House on the London Market requires a graduate qualified ACA to join their Group Finance Department. A varied and exciting position placing emphasis on systems work, special projects, and investigations.

INTERNAL AUDIT
City c.£30,000+car+benefits
Our client, one of the City's leading Finance Companies, is currently seeking an ambitious and innovative qualified ACA. Reporting to the Audit Manager, there will be involvement in the restructure of the London and European Audit Departments, proposals for improvement and control of the London headquarters. A superb career opportunity incorporating world wide travel.

FINANCIAL DIRECTOR DESIGNATE
Surrey c.£30,000+car
Rapidly expanding property company seek qualified ACA, preferably with computerised accounting experience. Responsible for total accounting function of the group, including monthly management accounts, cash flow projections, and project funding. Directly responsible to the Managing Director, with dotted line to the remainder of the board.

FINANCIAL CONTROLLER
City c.£25,000+benefits
Well known International consultancy company with a growing worldwide organisation seek a qualified Accountant aged 30 to 40 with good creative business skills and the ability to handle a demanding but varied role. International consultancy/contracting negotiation experience is advantageous but above all, an energetic/commercial approach is essential.

SENIOR ACCOUNTANT
Surrey £27,000 plus car
This blue chip Financial Services Company, has an urgent need for a qualified ACA aged up to 45, with a comprehensive background in management/financial accounting. Considerable experience in motivating/controlling staff, combined with the development of systems is essential in this high profile role.

FINANCIAL CONTROLLER
Surrey £30,000 plus car
An expanding subsidiary of a US based manufacturer, urgently requires a highly motivated ACA aged 28 to 35, with considerable experience accumulated in European/Overseas reporting. As well as the normal accounting skills, the ideal applicant should possess a high level of commercial awareness as substantial growth is expected over the next 12 to 18 months.

FINANCIAL MANGER
West Sussex c.£22,000 plus car
An outstanding opportunity has just arisen for a qualified ACA in this rapidly expanding international company. To take overall control of all accounting functions including preparation of monthly management accounts and annual statutory returns. Responsible for maintaining and developing computer systems. Very much a hands on role with superb prospects.

MANAGEMENT ACCOUNTANT
Gatwick Area c.£20,000 plus car
Established and very successful £45 million turnover company engaged in airline service industry seek a qualified accountant, preferably with experience in FMCG or food production. Successful candidate with provide and maintain the connection between central accounts and a number of operating units at airports throughout the UK, so analytical ability and good communication skills are prerequisites.

MANAGEMENT ACCOUNTANT
West Sussex c.£22,000 plus car
Qualified accountant with experience of batch related standard costing systems required to provide management information in leading electronics company. Must be strong man-manager, with the ability to motivate both self and others. Role will involve liaison with other departments to ensure recommendations are acted upon. Responsible to the Financial Director, with four staff reporting.

FINANCIAL ACCOUNTANT
South Coast c.£20,000
An outstanding career opportunity has arisen for a young qualified Accountant to join this highly successful rapidly expanding company. This is a senior appointment requiring an individual with excellent technical skills to produce monthly and statutory group accounts, cash control and treasury functions and the implementation of new financial computer systems and software. Must be self-motivated with effective interpersonal and organisational abilities. Superb prospects.

FINANCIAL ACCOUNTANT
South Coast c.£20,000
An outstanding career opportunity has arisen for a young qualified Accountant to join this highly successful rapidly expanding company. This is a senior appointment requiring an individual with excellent technical skills

FINANCIAL CONTROLLER
Surrey c.£23,000
Young qualified accountant with a proven track record to take full responsibility for the accounts functions of two subsidiaries of an American-owned cable television group now setting up it's operation in this country. Reporting to the Financial Director, the successful candidate will be expected to recruit and develop the systems to build up an effective and efficient department for each company.

LONDON
201 Victoria Street, London, SW1.
01-828 9919.

GUILDFORD
11/15 Market Street, Guildford, Surrey.
0483 578900.

Spencer
ACCOUNTANCY

CRAWLEY
34/36 The Broadway, Crawley, West Sussex.
0293 560996.

BRIGHTON
20 West Street, Brighton, East Sussex.
0273 207261.

Appointments Advertising Appears on Wednesday and Thursday £47 s.c.c Premium Positions £57 s.c.c

Manager

Group Internal Audit

South Coast **Substantial Package**

NM Schroder Financial Management Limited is a major financial services group with assets under management, or being administered, of over £2 billion. The Group has administration centres in Portsmouth, Poole, Guernsey and the Republic of Ireland.

Due to internal promotion, an outstanding career opportunity has arisen for an experienced Audit Manager to join the well established Group Internal Audit Department. The position offers the opportunity to manage an enthusiastic and professional team providing audit services across all the Group's locations and to make a significant contribution to the financial management of the business.

Key requirements are a proven track record of effective staff management, a high level of technical competence, good interpersonal and communication skills, and a professional, pro-active commercial approach. Financial services experience is desirable but not essential.

The remuneration package includes a highly competitive salary, fully expensed car, mortgage subsidy, free BUPA, and substantial relocation assistance. Excellent career opportunities exist both within the UK and in our parent company in Australia.

Please write with details of your career to date and current salary to: Miss Jean Brooks, Personnel Manager, NM Schroder Financial Management Limited, Enterprise House, Isambard Brunel Road, Portsmouth, Hants PO1 2AW. Telephone: Portsmouth (0705) 827733 ext. 446.

NM Schroder Financial Management
LIMITED

UNIT TRUSTS · LIFE ASSURANCE · PENSIONS · ASSET MANAGEMENT

Small Company Controllership, Big Company Prospects

Recently Qualified Accountant

London's West End £22, 000 + Car

This exceptional opportunity is guaranteed to give you the best of both worlds. With the backing of an internationally successful leisure and travel group this expanding subsidiary focuses upon the acquisition and development of £multi-million property sites, mainly within the London area.

They are now seeking a commercially aware young accountant to become Financial Controller. Reporting to the Financial Director and Main Board, your project-based "hands-on" role will encompass responsibilities as diverse as feasibility studies, cost benefit analysis, management reports and cash-flow management.

For an ACA, ACMA, ACCA, aged 24-28 career prospects include the opportunity to progress to Financial Director, the Controllership of a larger group subsidiary or into a Head Office position within two years.

For further information, please contact Paul Baker on 01-404 3155 at ALDERWICK PEACHELL & PARTNERS LIMITED, Accountancy and Financial Recruitment, 125 High Holborn, London WC1V 6QA.

Alderwick and Peachell
PARTNERS LTD

ILG

LEISURE AND TRAVEL INDUSTRY

Assistant to Group Financial Controller

CRAWLEY
SALARY £24-26,000 NEG + CAR + BENEFITS

Rapid progress and development has resulted in the INTERNATIONAL LEISURE GROUP LTD becoming a major force in the exciting and highly competitive and travel industry. Our Group has experienced strong growth as a result of creative management, continual product innovation and effective management control.

As a result of internal promotion, we now require a chartered accountant with up to two years post qualification experience. The candidate would work as a member of a young, dynamic head office team with a high level of exposure to senior management. The work would cover all aspects of the Group Finance function but with specific emphasis on external reporting and project work and less emphasis on monthly management reporting. The role involves a substantial element of tax planning and compliance. Accordingly, the candidate should preferably have had greater than average exposure to tax work during their career. The post is seen as being an introduction to our business leading to a more commercially oriented management position.

To accept this challenge you must be in your mid twenties, ambitious, highly numerate and have first class communication kills. In return we will reward the right person with an attractive remuneration package.

Write, enclosing full CV, to:
Colin Habgood
Group Financial Controller
The Galleria, Station Road, Crawley,
West Sussex, RH10 1HY

INTERNATIONAL LEISURE GROUP LTD

YOUNG QUALIFIED ACCOUNTANT SEEKING FIRST CONTROLLERSHIP

Warwickshire **Salary entirely negotiable + Car + Board Appt Idc.**

Our client, a highly successful fabricator of components for 'blue chip' OEM's, has enjoyed exceptional growth in recent years. Employing 150 at 2 sites, with profitable turnover looked for exceeding £11m, substantial growth is set to continue.

Due to further expansion, including by acquisition, and with an eye also to succession, a 20-30 year old, with broad financial and management accounting experience in a manufacturing environment, is sought to report to the Financial Director. Knowledge of computerised monitoring and reporting systems and procedures is essential.

A generous package including pension and private medical schemes is entirely negotiable. The opportunity for the successful appointee is however quite outstanding.

Candidates, male or female, please write to David T. Bentley, Manager, Human Resources, 3i Consultants Limited, 8 High Street, Windsor, Berkshire SL4 1LD, or telephone Windsor (0753) 857175, (24 hour service) for further details and an application form, quoting ref: DB/786.

3i Consultants Ltd
Human Resources

A WEALTH OF EXPERIENCE

West London

Financial Director

£35,000

With Car and Substantial Bonus

Our client is an established US owned Company. They provide a range of specialised services associated with the Computer industry and are amongst the leaders in their field.

An ambitious Chartered Accountant is sought to be their FINANCIAL DIRECTOR, the preferred age is from about 30-42 but some flexibility exists. The man or woman chosen will have strong technical skills and proven commercial ability .... he or she will play a major part in the continued development and expansion of this business.

A shirtsleeves approach is needed — the Company has a strong Sales and Marketing style and the F.D. will need to be a firm receptive individual used to working in a pressurised and competitive environment.

This is an outstanding opportunity for a committed person to make a major contribution.

Please initially contact the Adviser to the Company, Mr Arthur Flitter.

BEAUMONT MANAGEMENT SERVICES LIMITED
Beaumont House
Station Path
Staines, Middlesex TW18 4AL
Tel: (0784) 62131 (24 Hours)

BEAUMONT MANAGEMENT SERVICES LTD.
BMS
Management Recruitment Consultants

Manager

Management Information Group

Goldman Sachs, a leading international Investment and Securities House, seeks to employ a qualified accountant to manage the management reporting function in its London Office.

The successful candidate must be able to demonstrate from his or her background good management ability, gained preferably in the financial services industry. The individual should have 3-6 years relevant post qualification experience and possess excellent analytical and communication skills.

The job will include responsibility for managing cost allocations, budgetary control and profit and loss analysis in London and will involve close liaison with all levels of management.

This is a senior position within the firm with a commensurate salary and benefits package.

Please write, in confidence, enclosing a detailed C.V. to date, to:

Janet Phythian,
Personnel Associate,
Goldman Sachs International Corp.,
5 Old Bailey,
London EC4M 7AH.

Goldman Sachs

GROUP FINANCIAL CONTROLLER
BUCKINGHAMSHIRE
C.£25,000 + CAR

The ITM Group is a rapidly expanding group of companies involved in Publishing, Typesetting and Printing employing over 500 people with a current turnover of approximately £15M p.a.

Reporting to the Financial Director, the Controller will join a tightly knit financial management team and particular emphasis will be placed on the day to day control of the centralised accounts function of 15 people.

Strong management skills are essential and the successful applicant will also be expected to play a major role in the planned flotation of the Group.

Applications by CV or telephone to:-

Steve Monnington, ITM Limited, 5th Floor, 77/79 Farringdon Road, London EC1, Telephone 01-831 6422

Financial Accountant

Service Industry
Middlesex,
Attractive Salary, Car

This fast moving major service company is the established market leader with a record of sustained growth and a reputation for excellence. A recent centralisation of accounting functions has created this exciting career opportunity where, reporting to the Chief Accountant, the prime task will be the provision of an efficient and comprehensive accounting service to a number of operating divisions. High transaction volumes and strict adherence to demanding timescales are features of this role. Candidates will be qualified accountants with proven management ability. Whilst a high level of technical skill is required, as important will be experience in a computerised accounting environment and the ability to communicate at all levels.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to: *S. E. Heap,* ***Hoggett Bowers plc,*** *1/2 Hanover Street,* ***LONDON, W1R 9WB, 01-734 6852,*** *quoting Ref:* ***H22019/FT.***

Hoggett Bowers
Executive Search and Selection Consultants
BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR
A MEMBER OF BLUE ARROW PLC

Audit Managers

up to £24K + 2L. Car   North-West based

Royal Ordnance plc is a £500 million turnover company at the forefront of the design and manufacture of sophisticated weapons technology.

Due to reorganisation and a commitment to retain our commercial lead in the marketplace, we now wish to recruit two ambitious audit professionals to be based at our Chorley site in Lancashire but who will travel extensively throughout the UK. These are strategic roles within a subsidiary of one of the worlds largest UK multi-nationals.

As these are new positions reporting to the Head of Audit, the primary objective will be to establish an audit function across the organisation and to assist operating divisions in introducing change. Once this has been achieved, you will then be responsible for a range of operational and financial audits, making a very real and positive contribution to the effectiveness and efficiency of the operations.

Aged 25-35, you will have experience of audit and investigations gained in either a large organisation or accountancy practice. Sound management and well-developed presentation skills are essential. A successful performance in this role will result in an early opportunity to undertake senior line management responsibilities.

Salaries in a range as indicated will be offered, commensurate with qualifications and experience, together with a 2L. company car and a range of benefits including generous relocation assistance where appropriate.

If you believe you can make a real contribution to this forward-thinking and progressive organisation, then send full career details to: John Stanley, Senior Personnel Officer, Company Personnel Department, Royal Ordnance plc, PO Box 40, Euxton Lane, Euxton, Chorley, Lancs, PR7 6AD. Tel: 02572 65511 ext. 2442.

ROYAL ORDNANCE
Defence systems, sub-systems and components
ROYAL ORDNANCE IS AN EQUAL OPPORTUNITY EMPLOYER.

umbro sportswear

Financial Controller

South Manchester **to £25,000 + car**

Umbro International Limited are the UK's leading distributor and manufacturer of branded active sports and leisurewear. Their continuing growth highlights the need to further strengthen financial controls right across wholesaling and production activities. This senior appointment is therefore a high-profile role, and offers an exceptional opportunity to a young accountant now looking to have a significant input into the strategic management of a fast-changing and exciting business.

Reporting to the Finance Director, this 'hands-on' position will be responsible for continuing present development work of controls and systems including considerable involvement in the selection and implementation of mainframe based integrated software packages. The role will also be responsible for the control of the accounting team in the preparation and interpretation of financial data.

Candidates will be Chartered Accountants aged 30-40, with proven experience of a selling and distribution environment, backed by some manufacturing exposure.

Remuneration will be negotiable, depending on experience, and include company car, contributory pension, BUPA and life assurance cover.

Interested applicants (male or female) should send a detailed CV or ring for an application form on 0625 533364 (24 hours) quoting reference 1416/FT.

Wickland Westcott & Partners
LONDON · WILMSLOW · PARIS · BRUSSELS
Search and Selection; Management Development
Springfield House, Water Lane, Wilmslow, Cheshire SK9 5QS.
Telephone: (0625) 532446.

Divisional Accountant
EMI Records (UK)

£21-24,000 p.a. and benefits

EMI Records (UK) is the UK operating company of EMI Music Worldwide comprising businesses in 35 countries. The UK company is involved in acquiring and developing artists for national and international careers, and is a market leader in this field.

We are now looking for a young dynamic Accountant to join a small team of professionals actively assisting company management on many aspects of the business.

Reporting to the Finance Manager, you will be responsible for various key financial areas of the business, including profitability and cash flow analyses and computer systems development. You will be involved in month-end reporting, forecasting and budgeting, including accounting for one of our major Divisions. You should also have the ability to supervise and motivate staff and be able to contribute your own ideas and energy to our existing systems and culture.

You will be a qualified accountant and preferably already have had some commercial experience. You should have good communication skills and the ability to work with creative and professional personnel, and display a mature, self-motivated approach to work. The overriding need however is that you will enjoy working in a fast-moving entertainment/music environment, and have the potential to progress to more senior roles within the organisation.

Interested?

Please write to me with full details of your background and experience to date.

Barbara K. Rotterova, Manager – Personnel and Training, EMI Records (UK), 20 Manchester Square, London W1A 1ES.

EMI
A Thorn EMI Company

International Capital Markets

ACA **"Big 8" Qualified**

c£25,000 + first class benefits package

Sumitomo Finance International is the principal capital markets subsidiary of The Sumitomo Bank, Limited, one of the world's leading commercial banks. Founded, in 1973, it is a broadly based securities house active in all sectors of the international capital market.

A rare opportunity has arisen for a graduated Chartered Accountant of outstanding ability to assume immediate control of the financial accounting function and responsibility for the management accounting function within 12 months upon promotion to Assistant Manager. You will initially be responsible for 4 staff.

You will also be expected to make a strong contribution in your first year to the documentation, review and evaluation of existing systems based on an IBM S/38 mainframe.

The ability to develop a rapid understanding of the business and grasp the complexities of accounting for such areas as Swaps is looked for. There will be close contact with senior Management.

Candidates should have qualified in the last 18 months with one of the "big 8" firms, have a first time pass record and be aged 24-27. Strong organisational skills and an outgoing personality are essential requirements.

Future prospects are excellent for involvement in related areas such as compliance and company administration.

Interested applicants should write to Mrs. Fiona Williams, Personnel Officer, at Sumitomo Finance International, 107 Cheapside, London, EC2V 6DT enclosing a comprehensive C.V. Alternatively if you would like to discuss the position in more detail prior to applying you should contact J.M. Graham, Executive Director & Chief Accountant on 01-606 3001

AIRTOURS

Group Management Accountant

package of c. £27,500 p.a. (inc. bonus) plus car plus benefits

Our client is a successful and rapidly expanding listed public company operating charter inclusive tours throughout Europe, the Caribbean and the USA.

The company has plans for significant further business expansion which will call for additional professional resources to ensure that products are offered to the public on a timely and profitable basis. Consequently the company wishes to appoint a Group Management Accountant who although directly responsible to the Group Finance Director, will have a close working relationship with other Board members on a day to day basis.

Principal responsibilities will include active participation in forward planning in liaison with sales and commercial departments, the further enhancement of the company's computerised standard costing system and the provision of prompt and meaningful variance reports on a regular basis.

Candidates, aged under 35, must be qualified accountants with sound experience of computerised standard costing and budgetary control procedures preferably gained within a tourism or fmcg environment. An involvement in the development of pricing policies would be a distinct advantage.

The attractive remuneration package will include a salary of £22,500 p.a., profit related bonus, car, pension scheme, permanent health insurance, BUPA and necessary relocation expenses.

Please send details of your career to date together with contact telephone numbers quoting ref. 6031/FT to: George Hopwood, Human Resources Division, Grant Thornton Management Consultants Limited, Heron House, Albert Square, Manchester M2 5HD.

Grant Thornton
Management Consultants
OFFICIAL SPONSOR OF THE 1988 BRITISH OLYMPIC TEAM

AUGUST QUALIFIED OPPORTUNITIES

TITLE	AREA	AGE	BUSINESS	SALARY
Acct Mgr	Surrey	Imm	Finance	£33,000
Chief Acct	C. London	30-35	Reinsurance	c£30,000+car +mort
Financial Cont	C. London	25-32	TV production	£30,000
Tax Manager	Kent	Imm	Food Ind	£30,000+car +mort
Product costing	Essex	28-40	Service Ind	£30,000 +car
Business Dev Mgr	Herts	Imm	Construction	£30,000+
Group Acct	Kent	28-35	Motor Ind	£30,000
Financial Dir	C. London	30's		£28,000 +car
Int Auditor	Middlesex	22-28	Cons Prod	£28,000
Project Acct	Kent	Imm	Grp of Co's	£27,000 +car
Div Fin Cont	W. London	Imm	TV Ind	£26,000 +car
Snr Int Auditor	Essex	23-32	Electronics	£25,000 +car
Financial Acct	Northants	30+	Retail	£25,000
Accountant	S.W.London	28-35	Leisure	£25,000 +car
Snr Accountant	Surrey	Imm	Engineers	£25,000 +car
Accountant	Hampshire	28-34	Surveyors	£25,000 +car
Fin Planning Mgr	C. London	Imm	Insurance	£25,000 +mort
Manufacturing Acct	Oxford	23+	m/f comp	£25,000
Snr CompAuditor	C. London	Mid 30's	Int Group	£25,000 + car
Treasury Mgr	C. London	Late20's	Comm Brok	£24,000
Financial Acct	Middlesex	Imm	Brewery	£23,000 +car
Management Acct	Cambridge	20/30's	Hi-Tech	£22,000 +car
Accountant	Derby	20/30's	Retail	£22,000 +car
Financial Acct	Suffolk	25/32	M/F	£20,000

F.T. PARTNERSHIP
70 Old Broad Street,
London EC2M 1QS
Tel: 01-623 1053

F.T. Partnership

Finance Directors

Finance Directors are required for two Subsidiary Companies who manufacture Capital Plant with turnovers in excess of £60m.

Applicants will have developed strong financial skills and obtained substantial industrial experience during a successful career to date. In addition, they will have the determination, drive and personality to develop financial awareness throughout the company, and to motivate and encourage the management team.

Major objectives will be to ensure successful implementation of modern computerised systems, to identify achievable plans to optimise return on investment, to progress cost reduction plans and to provide accurate data in support of the decision making process.

The successful applicants will be professionally qualified, likely to have been educated to degree standard with at least 10 years post qualification experience and be under the age of 40 years.

Excellent salary and conditions of employment are available together with a generous re-location package.

Please apply in writing to: Mr. G. W. Schofield, Personnel Manager, Northern Engineering Industries plc, NEI House, Regent Centre, Newcastle upon Tyne, NE3 3SB.

NEI

SECURITY
SETTLEMENTS
PLC

ACCOUNTANT

E. London **Age 28-35** **£Negotiable**

Security Settlements PLC, a member of The International Stock Exchange and The Securities Association, is the UK's fastest growing independent clearing company.

Following a period of planned expansion since our formation in 1987, we are offering to an accountant, with proven experience of the securities industry, the opportunity to join a new and dynamic organisation in a challenging role.

The ideal candidate will have a thorough working knowledge of Stock Exchange accounting procedures and an understanding of current regulatory requirements.

Interested candidates should write, enclosing a current CV, to:

Teresa Carter
Security Settlements PLC
44 Broadway
London E15 1XH

OPERATIONS EXECUTIV
E
+ 30K Package

HAMBRECHT TERRELL INTERNATIONAL; Architects and Interior Designers are seeking to recruit an administrator/financial controller to work for its' successful London office.

Responsible for the efficient running of the U.K. office, preparation of management accounts, tax planning and investment funds.

The successful applicant should a self-generating manager with a sound commercial mind. The position would suit a qualified accountant with 6-10 years experience.

Please send CV and present salary in confidence to:
SENIOR VICE PRESIDENT,
HAMBRECHT TERRELL INTERNATIONAL,
37 GOLDEN SQUARE, LONDON W1R 3AA

TECHNOLOGY

Testing time for a fast machine

Andrew Fisher examines the way VW puts its supercomputer to work

Supercomputers, with their immense calculating capacity, used to be found only in laboratories and research institutes. Now they are being increasingly used in industry.

The big car manufacturers have been buying them to help in design and testing work, to give new impetus to their pre-production efforts.

In West Germany, Volkswagen has had a Cray X-MP 14 supercomputer for about a year; Daimler-Benz and BMW have also invested in the US-built machine. Its staggering calculating speeds add a new dimension to research and development.

VW paid about DM15m (£5m) for its Cray, which is capable of carrying out 240m calculations a second. Thomas Scharnhorst, head of computational mechanics in the research and information technology departments of VW, is certain the machine has proved worth it.

He emphasises that the Cray does not immediately make all other machines obsolete. "It is a perfectly normal computer. It does the same as others, but faster. Because of this extra speed, we can use it for things that were previously impossible on computers."

One example is crash testing. Without a Cray, it would take around 800 hours to simulate a crash test on a computer. On the supercomputer, this can be done in between eight and 10 hours, so that tests can be run overnight. Other applications include the calculation of aerodynamics, engine combustion and suspension characteristics.

Scharnhorst likes to call the Cray a turbocharger, which boosts VW's overall computing capacity by working in combination with its existing IBM and Digital Equipment mainframes and with its various computer workstations. In the 1990s, he foresees the supercomputer taking over from the mainframe basic number-crunching and other high-speed applications; and an overall mainframe-driven communications infrastructure linking the various group systems and managing and protecting data.

With its Cray, VW is in a position to make many vital calculations at a much earlier stage of development than was previously possible. Computer-aided engineering (CAE) can be brought into play during the computer-aided design (CAD) stage rather than later, making it easier to meet pre-series production deadlines.

Take the example of the crash tests. These are mostly done with hand-built prototypes and are thus expensive. The Cray can save some of that money by simulating tests and presenting the results in pictorial or graph form. Not that VW is intending to do without the actual tests. "We will use our past experience and not just throw it overboard," stresses Scharnhorst.

But use of the Cray can simplify the testing programme by making it possible to select certain designs for safety reasons at an early stage. The same is true of aerodynamics and wind tunnel tests. "Trust needs to be built up in the (Cray) system," he says. "It can save development time and prevent the building of unsuitable prototypes."

VW has not had its Cray long enough to have used it in the successful new Passat model, which was launched earlier this year or in the planned new Corrado sports car. But the next Golf generation, in the 1990s, will benefit from its capabilities.

The company has already decided what the new Golf family car will look like, so the Cray will not be used for the initial design. But VW has produced other three-dimensional car shapes on the Cray, which can reproduce designs with almost photographic clarity. Thus along with CAD and CAE, another term is added to the motor industry lexicon: CASS — computer-aided styling system. Eventually, car body designs could be done on the computer, with the company then deciding which ones to have built by hand as prototypes.

Scharnhorst does not foresee the Cray being widely used in another aspect of car-making, computer-aided manufacturing (CAM), under which plant equipment is controlled and linked by computer. But he does expect it to be increasingly used as an aid to production through the simulation of sheet-metal forming.

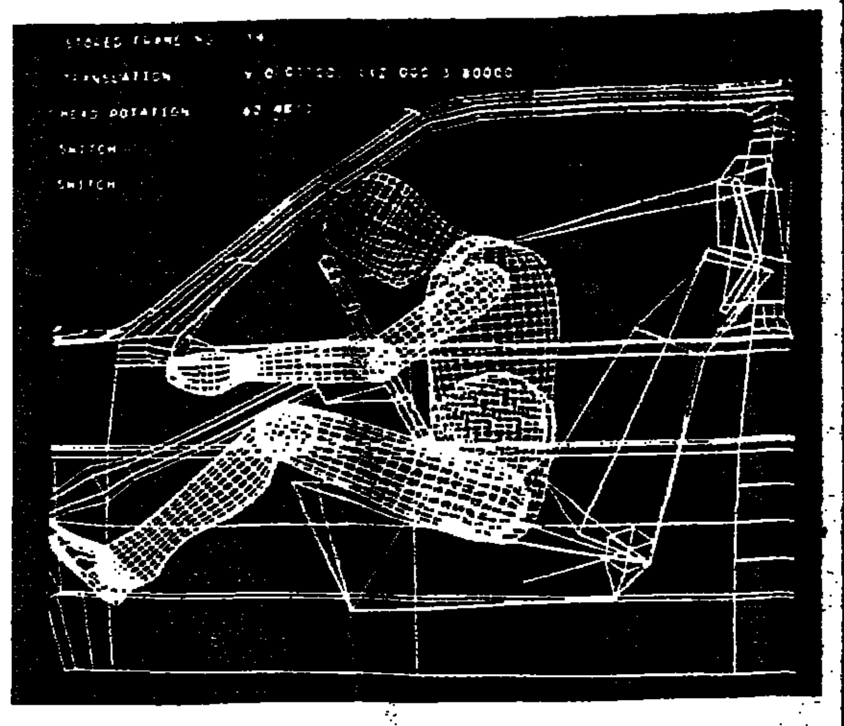
"The production side has a big interest in this technology," he says. But this will mean more than programming numbers into a computer and assessing the results. The experience of the production engineer will have to be combined with the skills of the computer expert, since much of the metal forming process requires a knowledge of how the actual machines work as well as the physical properties of the material itself.

As yet, there are no programmes which can translate what happens on the shopfloor into a computer simulation. This, again, will be something for the 1990s, reckons Scharnhorst.

It shows that VW — the largest car producer in West Germany with a model family that encompasses the best-selling Golf, the smaller Polo, the large Passat and the Scirocco sports car, as well as vans and minibuses — is still on the threshold of the possibilities opened up by the Cray. For the supercomputer's advantages lie not only in its ability to do some things much faster than before, but to do them better.

In crash simulation, the Cray can come up not only with results that match and reinforce those produced by the physical tests, but with ones that go further. The simulation can show exactly how different sections of the vehicle are damaged by frontal impact, in which order and to what extent. The information can be used to help make the cars stronger at critical points.

With its supercomputer, VW will be able to store all the design, mechanical, safety and other details of new models, so that these can be called up at will. The Cray cannot replace human muscle or brain, but it can certainly lend a helping hand.



Crash simulation on VW's Cray computer

WORTH WATCHING

Edited by Geoffrey Charlish

Cutting the cost of connection

ZENITH Electronics, of the US, has developed a broadband local area network (LAN) which it claims costs as little as half as much as conventional baseband systems and is also less expensive than other broadband offerings. Called Z-LAN, it is available in the UK from 3 Net of Basingstoke.

LANs are cable and interface electronic units used to interconnect computers and their peripheral equipment within a site. Most are baseband systems which are limited in the amount of information they can carry. Broadband systems usually use coaxial cable and can carry much more data, using radio frequency carriers. They can, if necessary, also carry television signals and speech.

Z-LAN allows users to make connections at less than £300 per computer. The network conforms to the requirements of the International Standards Organisation for open systems interconnection, allowing various makes of computer to communicate.

Telexes to and from a car

MAINSTREAM Communications, of Cheltenham in the UK, is offering a system based on the NEC lap-top computer which enables telex messages to be sent and received from cars using the UK cellular radio telephone networks.

Messages are exchanged with a fixed base station provided by Mainstream, which is connected to the telex network. The system costs about £14 a week to lease, including the use of the base station, but larger companies can arrange their own base station if desired.

Mainstream believes that although others have developed systems for using facsimile transmission from cars, telex is more robust and most companies of any size are telex network users. The system has been tested and approved by British Telecom.

Fire without much smoke

DEATHS in fires involving plastic materials are often due as much to the dense smoke and toxic fumes given off as to the heat of the fire.

ACI Plascoat Systems of Farnham, Surrey, in the UK, says this is because existing flame retardant thermoplastics are based on halogenated additives which, although effective in preventing ignition and the spread of fire, produce dangerous fumes. (The halogens are chemicals like chlorine and bromine).

Plascoat is offering a "low smoke zero halogen" plastic based on polypropylene but incorporating compounds of nitrogen and other components. The material forms a protective char which self-extinguishes and gives out low density, non-toxic smoke for a brief period.

The cost is commensurate with existing halogenated plastics.

Growing problem of space junk

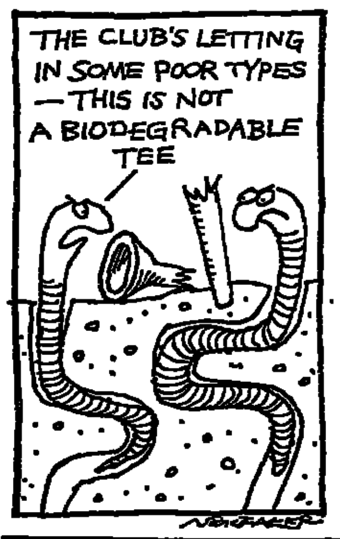
EXPERTS at the European Space Agency are becoming concerned about more than 7,000 radar-trackable objects orbiting the earth and 70,000 pieces of debris.

The chances of a spacecraft colliding with any of this "space junk" are small, although a pea-sized piece moving at 18,000 km/hr could disable a $100m satellite. But yearly figures for orbiting debris have shown a marked upturn since 1986.

Because each launch and each dying satellite produces debris, the amount of junk could go on increasing dramatically, even though a proportion of it re-enters the atmosphere and burns up. At some point, the hazard level for new launches will become significant.

CONTACTS: Zenith: US, (312) 391 8000. 3 Net: UK, 0256 843311. Mainstream Communications. UK, 0453 844742. ACI Plascoat: UK, 0252 721131. ESA: Paris, 4273 7290.

Developing a golf tee that treats the earth in a fairer way



ONE MIGHT have imagined that there was little scope for innovation in the realm of the humble golf tee.

Not so. If all goes well, a tiny Canadian company plans next year to start marketing a product which promises to bring a new dimension to golf tee technology.

If Donald Noland, founder and president of Peat "T" Incorporated, is right and the product catches on, the Nick Faldos and Sandy Lyles of tomorrow will find themselves driving off from tees manufactured not from plastic or wood, but from peat moss.

Noland's theory, fine-tuned on his local nine-hole course at Jasper, Alberta, runs something like this:

The detritus of broken plastic and wooden tees, which litters the average golf course, costs clubs thousands of dollars a year in damage to mowing machinery and man-hours devoted to cleaning up the mess. Once the peat moss tee is broken, moisture softens it and, as it disintegrates, it poses no hazard to lawn-mowers and even enriches the soil.

The company, under the guidance of Peter Fransham, a research scientist whose track record includes a period with Husky Oil developing peat moss pellets for cleaning up oil spills, is putting the finishing touches to its product prior to starting field tests in October.

Commercial production is scheduled for next February. Noland says the company is developing a machine capable of producing 40,000 peat moss tees per hour.

The process is a simple one. Peat moss is mixed with a binding agent and compressed in a manner which Noland likens to making an aspirin. Then the tee is covered with a non-toxic coating.

This final layer is an important ingredient since it both keeps out moisture while the tee is intact and enables the company to colour the product to resemble a conventional tee. In the ultra-conservative atmosphere of the average golf club, Noland believes that a cosmetic similarity is essential.

When intact, peat moss tees will have a strength equivalent to between 91 and 94 per cent of that of wood, says Noland. Once broken, however, the forces of nature will quickly get to work, softening and breaking down the tee.

Peat "T" has obtained a so-called British provisional patent, which gives the company a year to refine its process before filing a product abstract. Thereafter, the product will enjoy the standard 17 years of patent protection.

Ambitiously, the patent has been filed in 11 American, European and Asian countries. Noland notes that, since peat moss is categorised as an agricultural product, his golf tees will cross the US-Canada border duty free.

At some 1.6bn tees, the US comprises almost half the 3.4bn-tee world market, worth $68m (£40m) a year. The bulk of the tees are supplied by South Korea and Taiwan.

Initially, Peat "T" aims merely to match the 1.3 cent per unit price which distributors pay for the imported tees. (They are passed on to customers at an on-course price of around 2 cents each.) With production costs estimated at 0.4 cents per unit, the company should have room for manoeuvre in a price-cutting war.

Noland hopes the Canadian Government will bend over backwards to help him, since his peat moss tees are potentially an import replacement.

David Owen

Company Notices

RECTIFICATION

TO THE HOLDERS OF
ECU 40.000.000
THE INDUSTRIAL BANK OF JAPAN FINANCE COMPANY N.Y.
11 1/2% GUARANTEED BONDS DUE 1993

In the list of serial numbers of bonds to be redeemed, published on July 1st, an incorrect serial number has been announced.

Instead of NR 25723-25832
(as published)
please read: 25723-25822

THE INDUSTRIAL BANK OF JAPAN FINANCE COMPANY N.Y.

BY SOCIETE GENERALE ALSACIENNE DE BANQUE
15, AVENUE EMILE REUTER
LUXEMBOURG
THE PRINCIPAL PAYING AGENT

BANQUE NATIONALE DE PARIS

USD 400.000.000 floating rate notes 1984 due 1996 the rate of interest applicable to the interest period from August 8th 1988 to February 8th 1989 as determined by the reference Agent is 813/16 per cent per annum namely USD 450,42 per bond of USD 10.000.

A golden gift for the City

David Piper on a remarkable bequest of Dutch and Flemish paintings

The Barbican Art Gallery has a triple bill until October 2. On the upper level is the final stage of the centenary salute for L.S. Lowry's birth (1887), first mounted, with Arts Council aid, at Salford – *chez* Lowry, as it were. A version – somewhat reduced, then circulated to four other regional centres and now re-expanded with additional loans – has its final showing for the metropolitan audience, sponsored by the Royal Bank of Scotland.

On the lower level, one of the two exhibitions is another circulator, this time globally so: The International Art Show for the End of World Hunger, with works relating to the hunger theme given or lent by artists from Beuys to Warhol, from Richard Hamilton to Rauschenberg. The aim is, Heaven knows (though one must wonder if Divine Providence is fully briefed on the problem) a worthy one: to arouse individuals' attention to world hunger and to "offer collective action as a means to its eradication."

The objects to activate such reaction are, however, rather sparse in the gallery spaces, and the words fairly copious. Among them, this visitor found that the shocking memory of more vivid images got between him and the art objects, of those skeletal children who haunted the television screens in the Ethiopian and other famines. Out of context with their art-historical support, some items – Beuys's spade for instance, propped against a wall, could seem almost a mis-timed assertion of the artist's own importance.

You can move from this show to its companion on this level with an ease that may seem almost incongruous, for the third exhibition at the Barbican consists of 80 Flemish and Dutch paintings of the seventeenth century – the Dutch Golden Age: the gift of the late Lord Samuel (Harold Samuel, the property developer) to the Corporation of the City of London.

Here, you are greeted with the most joyous uninhibited exuberance of the fullness and pleasure of life, by Frans Hals's "Merry Lute Player." In the carefree radiance of youth and health he lays his lute aside with his glass raised high: a tour-de-force of brilliantly free brushwork serving a beautifully balanced composition that has the vital simplicity of genius.

When Samuel bought it (through the first such transatlantic telephoned auction bid, London to a New York saleroom) the price was the highest till then paid for a Hals, $214,850 (almost peanuts now for a painting of this quality). What is more relevant is that if you don't feel better after seeing it (even if riddled by guilt from the neighbouring exhibition) you must be pretty far gone.

Three tightly-hung rooms follow this heady accolade to the visitor, and you have to adjust expectation. It is not the quality of the paintings that is in question, but the overall mood: much calmer, and the scale, much smaller.

The impact of the Hals is that of a life-size figure; the collection is otherwise, to suit domestic settings and clearly deliberately so. There are a few "gallery" paintings: the Koninck, for example, nearly six feet across, and a typical if somewhat unusually cloud-laden vast panoramic landscape. But many if not most are small, even postcard size – I think of one such, an exquisitely pale winter-blue sky over some minute figures, a snow-capped church, by Adriaen van de Velde, least known in Britain of that great family of marine painters, but on this evidence no less gifted.

The gaps are interesting. Vermeers, of course, have not been available in Samuel's time, these last 30 years, but there is a characteristic Pieter de Hooch and one of the Jan Steens rather unusually seems to reflect his brief year or so in Delft. One sees that the more dramatically Caravaggesque Utrecht school painters might not have met this collector's taste, but there is no Saenredam, who I would have thought too irresistible to it (church interiors are represented only by a little – avowedly very good – de Witte). There is no Rembrandt, and no more than a few echoes of the Rembrandtesque, one of them a delightful portrait of a boy by Dou (again, postcard size). Both van Ostades are here, but not Brouwer.

However, there is an admirable representation of so many of the Dutch painters whom the British were to buy so avidly in the eighteenth and nineteenth centuries. There are the favourites: Cuyp, one an unusual, almost monochrome, landscape; the prolific van Goyen in fine form; the Willem van de Velde's father and son; Hobema; Jacob van Ruisdale (small but typically powerful landscapes, but what skies!) and uncle Saloman van Ruysdael, those two delightful painters of the urban scene, challenging Canaletto a century before his time.

"Lady at her toilet" by Gabriel Metsu (1629-1667)

There is some but not much rustic roistering (Wouvermans at peak form), but, generally, there is tranquillity. And though there is no Vermeer, you can register serenity at exquisite pitch in the "Young Lady at her Toilet," so simple and seemingly unambitious, sitting in profile at her looking glass, so utterly satisfactory. That is by Metsu, who was so much more famous until Vermeer's identity was exhumed from oblivion by scholars in the mid-nineteenth century.

The paintings are grouped mostly by subject. The winter calm, the plane of a frozen river, were evidently much to Samuel's pleasure, from Esaias van de Velde to the specialist Avercamp, Aert van der Neer and Arent Arentsz (alias Cabel). They often show the sober-suited citizenry disporting themselves in staid pleasure. For all that, in one there is, on the shore beyond, a gallows with frozen corpses pendant, indicating that besides life going on, it sometimes stops. There is top quality still life (Kalf and Claesz), but the most riveting of all – the fruits of summer set out across a long table and itemised, in invitation – is attributed to the younger Jan Brueghel.

Although Dutch and Flemish at times merge almost indistinguishably, the collection as a whole is a superb witness to Dutch painting at its most Dutch, in the prosperity and well-being of the now established independence from Catholic and Spanish domination.

One type that seems not to have interested the collector was that of the Italianate landscapists such as Berchem and Dujardin, Bril and Both. In this I suspect he was at one with his mentor and dealer, Edward Speelman, who established at Cambridge the first and thus far I believe the only research fellowship dedicated especially to the study of Dutch art.

In the past, most Dutch painting, thought widely collected, had attracted little scholarly attention outside Holland, except when touched by Mediterranean and classical traditions, as with one aspect of the inexhaustible genius of Rembrandt, or, when it seems simply ineffable, Vermeer. This is changing fast, but one of the reasons is that – while even at its apparently most simple it will prove to have allegorical or symbolic resonances - it speaks precisely so simply, so directly, to us. Yet is so bewitching. How many, like Samuel Pepys over three centuries ago, can still delight in grateful recognition of illusion when first confronted by a fine Dutch still life?

This is not a travelling exhibition. Its donor wished the collection to be housed in the City's Mansion House. The state rooms are not the most obviously apt setting (think of the ornate Egyptian Hall!), and quite where, and how, and when the paintings will be hung remains to be seen, if indeed they do prove to be visible to the public. The incumbent Lord Mayor should anyway have excellent visual refreshment in his quarters during his year, and one hopes that, at least, a full catalogue of this important collection will be published. Meanwhile you have till October 2

But no Rembrandt? I doubt even so if Lord Samuels would have gone along with Lowry on that score. Lowry said: "Life. . . it's big you know. . ..its like Rembrandt – he's too big isn't he? That's why I can't stand him; he's like life, you can't grasp him. . ."

On the upper level you can visit Lowry in considerably more variety than those who know him only as the master of the matchstick men would guess. His work, though it stands off from life, distances itself – and him, and is profoundly melancholy even when overtly funny – although it continues to be loved by a public far exceeding that of the art establishment (which was once fairly dismissive). It stands secure in its niche among the visionary eccentrics of English painting, that range from Blake to Stanley Spencer, but is not to be confused with any of them.

Three Sisters

BARBICAN THEATRE

John Barton is renowned for Chekhovian productions of Shakespearean comedy at the RSC, notably *Twelfth Night* and *Much Ado*. His production of Chekhov himself in his own version (from a literal translation by Helen Rappaport) is oddly un-Chekhovian. It does not weave any kind of spell, nor does it make you care very much for the lost provincial souls down on the Prozorovs' estate.

That territory looms large even in the first act, where Timothy O'Brien's rather staid and formal drawing room is open to the elements, a forest of sinisterly mildewed black and green birches that are only revealed in the last act sunshine to be blue and brown as well. The second act snow is part real, part projected lighting, which device seems to summarise the disjointed sense of emotional realism in the acting itself.

All the Chekhov great plays have been submitted to a wide variety of production styles in Europe over the past decade or so, but the RSC just comes along with another conventional and not very inspired revival. Not even compared to Trevor Nunn's small-scale version does this amount to much. And in a play of undulating, rhythm, unbearable poignancy and the ostinato comic accompaniment of people dragging themselves away from people who would like to be dragged themselves, it is simply left standing by the latest production doing the Continental rounds, that of the Katrina Josef Theatre in Budapest.

Old Dad has been dead a year, and the sisters are celebrating Irina's birthday. The battery is in town and Brian Cox's grizzled, rugged Vershinin embarrasses them all by giving out that he remembers them all from a former life in Moscow. His reputation for complaining of an ill wife sets the girls against him, but Harriet Walter's mournful Masha lets susceptibility get the better of her and snatches a bit of life while it lasts.

Miss Walter is draped in time-honoured fashion over the sofa muttering about the oak tree and the golden chain, a poem that has eaten into her brain, it is clear, by the end. Otherwise the approach is light and skittish, underlined by that little-girl voice to which she is prone. Like Deborah Findlay's bridge-building Olga, this performance strikes me as emotionally and technically underpowered. Gestures of arm and hand are formed and abandoned before completion, outbursts are buried in pillows or dampened before igniting. After Vershinin's philosophic speech on the necessity of superfluous knowledge, she trips lightly over "I'll stay to lunch" and you never feel, in the second act, that this Masha was capable of laughing all day. It is simply not big enough for this house.

Picking up on the imagery of migrating cranes, Mr Barton has reinstated a speech dropped by Olga Knipper before the first night, delivered by Masha as the soldiers leave town. This makes Masha more sarcastically forlorn than usual, and Miss Walter spreads her arms with fateful self-consciousness. It is not a reinstatement as interesting as the Charlotta/Firs scene in the recent National Theatre *Cherry Orchard*.

Some performances are etched on an intimate scale, such as David Bradley's acridly fastidious schoolmaster and Lala Lloyd's indistinct old nurse. Others are boomed out histrionically, such as Joseph O'Conor's doctor who is exactly the same after his night of drunken humiliation during the fire, and Pippa Guard's Natasha who confuses crudity with vulgarity. Nicholas Farrell pitches best of all as the doomed Tusenbach, whose spaniel like devotion is met with cruelly unimpressed tolerance by Stella Gonet's Irina, the best of these three sisters. Bruce Alexander is simply too thin and unblubbery for Andrey, resorting to manic signals on confronting his subsidence into domestic, small town insignificance.

Michael Coveney

Götterdämmerung

ORANGE

Rings are scarce in France, even in Paris, although the music of Wagner has nowhere been more an object of fascination, whether it be a matter of adoration or of repulsion. So it was an act of some courage for the festival at Orange, on the northern edge of Provence, where in most summers just two operas are given a single performance apiece, to assign a month of Sundays to the entire work.

I went on the final night for *Götterdämmerung*. The Théâtre Antique at Orange, where the festival (of Chorégies) is held, is a vast Roman structure, semi-circular, with as many as 40 rows of seats in its highest surviving sections. Behind the stage is a towering wall, which in most of the previous performances I have seen there has been reckoned a sufficiently dramatic backdrop.

For the *Ring* cycle, designed by Josef Svoboda, it was supplemented by a white screen of concave shape, tied against part of a half-hemisphere of scaffolding and mounted slightly askew. On to this were projected a series of images – the World Ash, clouded skies, forests of various kinds and, for the Gibich family at home, a dull rose of windows of modern office tower blocks, representing what is surely by now a rather weary intellectual cliché. There were flickering flames, too, and some gushing streams. But possibly the ungarnished Roman stones might have served better, an image inherently more natural and more potent than the kinds of surface one can see most days in half the ordinary theatres of Europe.

The stage itself was laid out out as a miniature reflection of theatre-sitting, a rounded series of steps that could be broken up into sections and severally shifted to create angled, interlocking staircases with a variety of useful crevices and doorways. Jarmila Konecna's costumes were in a fairly traditionally mythological mould.

How to use this ancient and powerful setting to say something particular about the *Ring*, with its archetypal type of imagery and its timeless layers of meaning, seems a challenge that not only Svoboda's design but also Jean-Claude Ribier's production largely side-stepped. This was a reading of *Götterdämmerung* that might equally have been given in a conventional opera house. It found nothing out of the ordinary to do with the Norns (each atop a flight) or the Rhinemaidens (who stood and sang their piece in a hollow, stage centre); the most impressive moment was the coming of the vassals at Hagen's summons, a forest of converging, angled spears as they clambered up the sides on to the top most level.

Götterdämmerung at the Théâtre Antique at Orange

Perhaps the production's greatest strength lay in its handling of the individual character relationships, especially in the second act where the confrontations, above all that between Brünnhilde and the uncomprehending Siegfried, were handled with real imagination and sensitivity. I was pained, however, to see Ribier introduce an idea as inaptly sentimental and alien to character as a sympathetic visit by Wotan to the dead Siegfried.

Musically the performance was a patchy one, handicapped by the withdrawal of the Siegfried, William Johns; his place was taken by the Canadian James McCray, whose valiant and by no means unmusical – if modestly scaled – attempts on the role was evidently little appreciated. Indeed, with a Brünnhilde who at first was also less than spacious in voice it at one time seemed as if Bruckner's reputed ideal of a *Ring* done by an orchestra alone might be on offer. Brünnhilde, originally to have been sung by Eva Marton, was in the event taken throughout the cycle by Ute Vinzing, who found fuller resources as time went on, showing a soprano of some brilliance in the middle and upper reaches, giving due weight to her words and their direct singing and some telling phrasing in the Immolation Scene, even if she cannot readily sustain a spacious line.

The Gibich siblings were done with some conviction: a Gutrune of real vividness and allure from Helena Doese, a Gunther of adequate vocal power and not unpersuasive in his static, hang-dog acting from Anthony Raffell. Alberich's music, and his words, were pointedly delivered by Hermann Becht. I specially admired Hanna Schwarz's appealing Waltraute, done with a fine ring to her voice as well as some concentrated quiet singing. As Hagen we had Matti Salminen, every note dead steady and sustained to full length, every consonant given due weight and meaning.

The Nouvel Orchestre Philharmonique of Radio France, although they have broadcast *Ring* and other Wagner, do not play his music as if it is a habit; but their woodwind are skilful (the flutes and clarinets especially), their brass respectable and, if here and there splashy in ensemble and unsure in blend, their strings always competent and sometimes eloquent.

Marek Janowski, the conductor, showed himself a fluent and commanding Wagnerian, sure in his elucidation of expressive detail, clearer than sumptuous in his textures, ready to allow the score ample time to unfold where that was needed: impressive too with his control of the broad musical paragraphs and his capacity for moulding them functionally. Above all he is alert to the drama, to the preservation of a strong and purposeful line and a well-articulated relationship between music and action: to manage this in a context where the sound so readily dissipates into the provençal skies and stars is doubly credible.

Stanley Sadie

Le Corsaire

COVENT GARDEN

It is entirely characteristic of the Kirov Ballet's staging of *Le Corsaire*, with which the company opened its Covent Garden season last night, that it should begin with a shipwreck. The effect is superbly managed, and starts the evening on a note of spectacular bravado. And it sets the scene not only for the events that are to come, but also for the way in which the old ballet - which dates from the 1850s - has been rejigged, tricked out and, since the shipwreck originally ended the ballet, turned upside down.

I reported on the production from Paris last November, when the Kirov first brought it to the West. Then, as now, it strikes one by its nice improbabilities, its lack of dramatic sense, its handsomely vulgar pantomime air, and its tenuous connection with the ballet which is supposedly being re-created. This, apart from a few credible sequences of choreography and some properly incredible creakings of the stage action, has little to do with the Perrot/Petipa original.

Pyotr Gusev, veteran ballet-master, assembled a mosaic of scenes, some authentic, others mere echoes and palimpsests of a first text, and called it *Le Corsaire*. In this he matched something of the history of the ballet which knew several improving production hands over the period of a century in Russia, and a rich variety of composers for its score – now rather brassily re-orchestrated, which does nothing good for the old style of the music. The result is a romp about slaves, Greek maidens, pirates, a harem, a pasha, fountains, and the administering of a Mickey Finn by means of a bouquet of roses.

As the heroine, Medora abducted by lecherous Turks not once but twice, and twice rescued, which argues considerable luck – Altynai Assylmuratova looked stunning. She suffered, moved exquisitely in the hallowed evolutions of the *Jardin Animé*, and also gave a lustrous account of the celebrated pas de deux, which turns out to be a pas de trois. Her friend, Gulnara, was taken by the adorable Yelena Pankova, so light and fluent in her dancing, and so graceful in showing off the merits of the choreography which she presents with a kind of innate pride. The Corsair hero was Yevgeny Neff, doing what he could with a role in which sterling worth rather than passion seems the pre-requisite, since for passion we turn to his chum Ali, as incarnated by Faroukh Ruzimatov. Mr Ruzimatov arches his body, leaps high, unleashes magatons of temperament, and generally lets us know that he is on stage. So, in an amused and gently mocking way, does Konstantin Zaklinsky, who finds a witty manner for the villain. In a variety of subordinate roles, the Kirov artists dash through national dances whose dubious merits are disguised by Kirov elegance. There is a superb trio of odalisques who make their variations seem like Fabergé jewels - Veronika Ivanova, Irina Chystiakova and Zhanna Ayupova. There are designs that would not disgrace a production of *Aladdin* and real fountains splashing at the back of the stage as the Kirov corps de ballet impersonate flowers. Should one ask for more? Not of this merry simulacrum of *Le Corsaire*.

Clement Crisp

Schoenberg's Pelleas

ALBERT HALL, RADIO 3

The third of the four musical treatments of Maeterlinck's drama to reach the Proms was Schoenberg's. His symphonic poem *Pelleas und Melisande* is at first sight the farthest removed from the original; it has been extensively Germanised, the dramatic structure pared down to a minimum of critical scenes – there is no mention of Arkel or Genevieve – and the entire structure enfolded in a quasi-symphonic framework, so much so that in his analysis of *Pelleas* Alban Berg was at pains to emphasise its rigorous construction, to the extent of identifying the salient features of symphonic form within its continuously played sections.

Certainly the conductors who tackle this most opulent of Schoenberg's scores (requiring his most extravagant orchestra other than that for *Gurrelieder*) need to concentrate on its formal coherence rather than its pictorial references. On Tuesday it was Matthias Bamert, and with the BBC Symphony Orchestra on rather better form than it had been for *Verklaerte Nacht*, he produced a thoroughly intelligent and lucid account.

Most of the instrumental playing one could take on trust, though little of it was remarkable enough to deserve mention for its own sake, and in those passages in which Schoenberg's textural imagination is allowed full rein it hardly produced the frisson they can in the hands of a great orchestra and a conductor with a fastidious ear.

Nevertheless Bamert's dramatic grip was thoroughly impressive, and while it did not make a convincing case for the work to anchor itself in the repertory – and not even Karajan's recording does that – in the present context its inclusion was amply justified.

Andrew Clements

ARTS GUIDE August 5-11

EXHIBITIONS

London

The Royal Academy. Cézanne – The Early Years 1859-72. A concentrated and illuminating study of the formative period of one of the greatest artists of the 19th century and one of the central figures of the modern movement. Ends August 21.

The Hayward Gallery. (Two exhibitions). Angry Penguins is a fascinating study of a group of young painters active in Melbourne during and just after the Second World War. Also paintings from the Phillips Collection in Washington. Both shows run until August 14.

British Museum. Ukiyoe – Images of Unknown Japan. This large exhibition of excellent quality brings to us, through the work of the greatest masters of the wood-block print, the magical "Floating World" of pleasure and the entertainment that was the city of Edo (modern Tokyo) in the time of the Shoguns – from the 1600s until the 1860s, when Japan was closed to the outside world. Until August 14.

Paris

Carte Musées et Monuments, sold in museums and Metro stations, enables visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles Palace.

Grand Palais. Le Japonisme. 400 exhibits bear witness to the enthusiasm which swept the Western art world for all things Japanese in the second half of the 19th century. Closed Tue. (42.56.09.24). Ends August 15.

Centre Georges Pompidou. The Fifties, taking over Beaubourg for three months from the ground floor upwards. The postwar creative dynamism of the Fifties is represented by cars, comics, music, cinema, literature, industrial creation and – on the fifth floor – by visual arts. (42.77.12.33). Closed Tue. Ends Oct 17.

Musée d'Orsay. Two exhibitions celebrate, side by side, the golden age of photography. One covers the period from 1880 to 1915 with 200 photographs and names like Felix Nadar, Eugene Atget, Lewis Carroll and Pierre Bonnard. The other pays homage to Gustave le Gray (1820-1882). (45.49.48.14). Both exhibitions closed Mon. Ends Aug 14.

Institut du Monde Arabe. Holy Places in Saudi Arabia. Magnificent architectural models of the Kaaba in Mecca and of the Prophet's great mosque in Medina, provide non-Moslems with a realistic image of the shrines of Islamic pilgrimage, to which they normally have no access. 23 Quai Saint-Bernard (46.34.25.25). 1 pm till 8 pm, closed Mon. Ends Sept 18.

West Germany

Cologne, Romisch-Germanisches Museum. Caesar's Gold, covering the period from Caesar to Justinian, from the first century BC to the 6th century AD. Until August 28.

Munich, Haus der Kunst, 50 Prinzregentstr. An important exhibition centred on the city of Munich, which provides a broad view of the West German cultural scene. There are about 640 works, but 22 places by the Austrian painter and sculptor, Alfred Hrdlicka, form the highlight of the show. Ends Sept 11.

Italy

Venice, Palazzo Grassi. The Phoenicians. The fourth major exhibition at Fiat's imposing art centre on the Grand Canal attempts to give a complete picture of this extraordinary people, who dominated trade in the Mediterranean for over 1,000 years before their capital, Carthage, was finally destroyed by the Romans in 146 BC. Until Nov 6.

Switzerland

Martigny. The Gianadda Foundation is showing the second part of treasures on loan from the Sao Paulo Museum. Entitled From Manet to Picasso, it is especially rich in Renoirs, though van Gogh, Cézanne, Gauguin, Picasso and Manet are also well represented. (26978). Ends Nov 6.

New York

Pierpont Morgan Library. Over 300 items from the life and art of Beatrix Potter show the evolution of the artist and her work. Ends Aug 21.

Chicago

Art Institute. Photographs by Josef Sudek, using his native Prague as the background, this avant-garde photographer, who died in 1976, captured the lyrical quality of the Czech people and the country's beautiful landscape. Ends Sept 4.

Art Institute. More than 50 Dutch and Flemish 17th century masterpieces from the Hermitage in Leningrad, including works by Rembrandt, Rubens, van Dyck and Frans Hals, kick off a collaborative effort by US and Soviet museums. Ends Sept 18.

Tokyo

Tobu Museum, Meguro. Masterworks from Europe. A summer exhibition aimed at Japanese families who might wish to introduce their children to Western art. The museum is a former imperial residence and has a superb Art Deco interior and a pleasant garden. Closed August 10, 24; Ends September 4.

National Museum of Modern Art. The Image of Man in Modern Japanese Art, grouping portraits from the museum's collection. Closed Mondays. Ends September 9.

Riccar Museum. A pictorial diary and other works by the early 19th century master of the Ukiyoe wood-block print, Utagawa Hiroshige. Ends August 28.

Suntory Museum. Chinese glassware of the Qing Dynasty (1644-1911) from the collection of American businessman Robert H. Clague. Closed Mondays. Ends August 28.

Japan Folkcraft Museum (Nihon Mingeikan), Komaba. Crafts from India. The museum is in an old Japanese farmhouse building which accords perfectly with the unselfconscious beauty of the objects. Closed Mondays. Ends September 25.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Thursday August 11 1988

Kuwait's role in BP

THE KUWAITI declaration on Tuesday that it has signed a legally binding promise not to interfere in the affairs of British Petroleum is only explicable in terms of an unfortunate shadow boxing contest with the British authorities.

Kuwait may have hoped to wrong-foot British ministers in the closing stages of the Monopolies and Mergers Commission inquiry into the Kuwait Investment Office's 21.7 per cent stake in BP. Perhaps it also hoped at the last minute to convince the commission of its case.

Confusion

Certainly the move caused surprise and some confusion in Whitehall. After Lord Young, Trade and Industry Secretary, said he would have nothing to do with a Kuwaiti covenant made out in his favour, it was hard to say who, if anyone, had won the point.

The incident shows how deeply the question of Kuwait's stake in BP has become entangled in politics. Neither side has so far come out with great credit. The British Government, having decided to sell 31.5 per cent of BP in one offer, was in a weak position to object when the KIO rescued the issue from ignominy. Ministers appear to have been insensitive and brusque in their attempts to persuade the KIO to restrict its holding to perhaps 15 or 18 per cent. On the other hand, the Kuwaiti government should have known that a steady build-up of its stake would inevitably excite fears that it wanted control of BP and would provoke political retaliation.

Instead of reaching a discreet compromise, both sides seem to have dared the other to a trial of strength, culminating in a reference to the Monopolies and Mergers Commission.

The commission's first and most difficult task is to decide whether the KIO stake is large enough to warrant anxieties about monopolistic behaviour or damage to the public interest. If it finds no grounds for concern, it would be difficult, if not impossible, for ministers to take further action.

The Kuwaitis doubtless hope that their deed, limiting their voting rights to 14.9 per cent of BP's shares and abjuring all ambition to be represented on the board, would, as a matter of logic, destroy the case that they could exert undue influence on the company. However, the history of relations between sovereign states shows that little reliance can be placed on pieces of paper — especially if agreed by only one party. Moreover, the signing of the deed showed that the Kuwaitis implicitly accept that, without it, they would be able to exert an important influence over BP's affairs. Since oil production and the development of refining and marketing are so enormously important to Kuwait, there is good reason to fear a conflict with the corporate interests of BP. Kuwait's membership of the Organisation of Petroleum Exporting Countries, the world's most powerful cartel, and its vulnerability to the pressures of Arab politics, reinforce the strong case for limiting the country's influence over BP.

Whatever disclaimers are now made, it is easy to see how BP's expansionist ambitions could be damaged, particularly if the political climate changed in Kuwait. Even without direct pressure through the minority shareholding, many elliptical influences are possible in the politics of oil. Indeed, even the perception that BP might be under the influence of a member of the Opec cartel could hurt its interest in some parts of the world.

Divestment

A unilateral declaration of non-interference is therefore not enough. If Kuwait is in earnest about not seeking undue control over BP, it should hardly object to a divestment to perhaps 15 per cent or less. This could be supplemented by undertakings agreed with the Monopolies and Mergers Commission and the UK Government.

The need to intervene in this case should not be an excuse for a general chauvinistic interference with foreign purchases of British companies. It reflects specifically the commercial and political relationships between the world's third largest oil company and one of the world's major suppliers of crude.

Austerity plan in Argentina

THE Alfonsin Government's latest attempt to deal with Argentina's ailing economy cannot help but provoke a sense of *déjà vu*. Both the problems and the corrective measures are the same as three years ago when the first stabilisation plan was introduced.

The government is still grappling with high inflation, stagnant growth, a bloated public sector and bureaucratic regulations that stifle all but a pernicious dollar-fed parallel economy. The prescription once again is a combination of utility price rises, wage and price freezes, devaluation, cuts in public sector expenditure and this time a little more fiscal reform.

The initial success of the 1985 Austral Plan was squandered by poor management and a failure to confront the problems head on. Since then it has been a case of too little too late, and it is difficult to give President Alfonsin the benefit of the doubt now.

Such a judgment explains the lack of enthusiasm with which the international financial community is now being called upon to provide another $4bn in funds for Argentina over the next year. Argentina's plight continues to evoke international support more for political than economic reasons. In particular, Washington has consistently backed President Alfonsin because he is a democratic leader of one of the three most important countries in Latin America. As a result Buenos Aires has obtained bridging finance from the US at key moments, and has relied on Washington to rally the International Monetary Fund and to lean discreetly on the banks.

Horse-trading

This is happening again now with an added element of horse-trading. President Alfonsin is waving the prospect of a return of Peronism, in presidential elections next year. The recent choice of the populist Mr Carlos Menem as the Peronist presidential candidate has evoked fears of a reawakening of all the worst atavistic elements in the party. Mr Menem is already making nationalistic noises about a debt moratorium and an end to the IMF-approved policies of the present government.

Knowledge of this cushion of American support has arguably weakened the Alfonsin Government's resolve in implementing austerity programmes. Yet this cannot justify persistent policy failures. Mexico, which has also enjoyed a guarantee of last resort from Washington, has been far more determined and coherent in its economic policy.

Hindsight

President Alfonsin's room for manoeuvre has been far more circumscribed than that of President de la Madrid in Mexico because of the role of the Argentine labour movement. Of all the Latin American debtors, Argentina has the most highly unionised and urbanised labour force. Furthermore, in contrast to Mexico where labour has been co-opted to work with the government via the PRI, the ruling institutional party, Argentine unions are controlled by the opposition Peronists. With the benefit of hindsight, President Alfonsin should have accompanied the Austral Plan with measures to curb the unions' power. Their obstructive influence has been the single most important factor undermining austerity measures and a thorough restructuring of the economy.

Getting tough with the unions entailed considerable political risk. President Alfonsin could probably have got away with such a policy by exploiting his own popularity and by dismantling the state apparatus through job cuts and privatisation. Instead, the unions have retained their privileges and job security. As a result Argentina can boast one of the region's lowest rates of unemployment but one of the worst levels of productivity.

President Alfonsin has a strong interest in ensuring that the present austerity package succeeds. Unfortunately, he has allowed himself little time, since presidential elections are due to take place at the latest by June next year.

Richard Gourlay reports on the causes of the unrest in Burma

Rangoon: demonstrators continue to roam the city

A cry of enough is enough

WHEN Rangoon's marooned military commander announced on Monday that the army would fire on demonstrators, students and monks bared their chests and challenged the army to shoot. When soldiers tried to move into the square by the City Hall, a sea of orange-robed monks and teenagers pushed them back into a side street within a minute. It was only when fresh troops, who had not been exposed to the protests against President Sein Lwin, came past the golden Sule Pagoda in armoured cars and fired with heavy machine guns that the protesters fled.

As the army continued to act on orders to shoot — killing probably more than 100 people — and as more than 27 towns erupted in protest, it was clear that the military's rigid control of Burma had started to crack.

Yesterday, for the first time, students broke into police stations, seized guns and returned the army's fire. After 26 years of a whimsical autocratic leader, U Ne Win, whose archaic brand of socialism has kept Burma in a 19th century time warp, its people are saying they want their bankrupt, stagnating country to return to the real world.

Unlike the uprisings against military rule in South Korea and the Philippines, in Burma the student-led riots in March, June and again this month have been fuelled as much by imminent hunger as by a yearning for democracy. The Burmese frequently look to neighbouring Thailand as a role model, not because its democracy is by any means ideal, but because of its growing wealth. As one Burmese dissident in Rangoon explained simply, "Democracy means foreign investors will come and bring jobs and money."

With schools, shops, railways and ports closed, and even diplomats corralled in their homes while the army sweeps through the city, U Sein Lwin cannot perform the simple functions of government, let alone consider economic reforms. But if, for whatever reason, he stepped down, leaving the ruling Burmese Socialist Programme Party in place, observers say economic reforms would almost certainly go ahead.

In April, Japan — which is Burma's largest aid donor — told U Tun Tin, the Finance Secretary, that without changes in economic policy there would be no new yen loan aid package, worth up to $200m (£117m). With less than $20m in official reserves, Burma is critically dependent on this aid. Since then Tokyo has released half of an interest relief grant, but Japanese officials said last week that Tokyo is still looking for signs of real economic reform.

Another straw in the wind before this week's riots was the announcement by Burmese officials that a policy outlined by U Aye Ko, the Party's general secretary, allowing foreign joint ventures with private companies, co-operatives or the state, is really to be implemented.

Diplomats said the finance ministry had also approached Western governments to try to encourage foreign investments in commercial ventures such as hotels. In addition, devaluation is under review — essential if official exports are to grow. Finally, a trade agreement signed last week with the Chinese province of Yunnan on Burma's north-east border may have set a precedent for devaluation of the the country's currency, the kyat, for certain exports — though it appears to do little more than formalise the existing multi-million dollar smuggling operation.

Of course, arguments about devaluation and breaking up the state-run corporations did not trigger the nationwide eruption of dissent this week. It is the price of rice, and to a lesser extent other basics such as cooking oil, which is sending living costs through the roof. Since January, rice prices have quadrupled, so that for the first time, the country which was the world's largest rice exporter before the Second World War, faces problems feeding its own people.

That this could happen is an indictment of the *dirigiste* socialism that China and the Soviet Union discarded long ago. But paradoxically, Burma is also a monument to capitalism. Rationed petrol fetches 10 times state prices on the black market. State-made Mandalay beer, currently unavailable in Rangoon because there are no bottle tops, is more expensive than Chinese beer, smuggled from Yunnan. And in the Government-run People's Department Store, a 20 yard display of identical white shirts contrasts starkly with the variety of smuggled fake designer T-shirts in the market outside.

Behind the peeling paint and crumbling facades of British colonial buildings, Chinese, Indian and, to a lesser extent, Burmese businessmen are already active. They lend Rangoon an unexpected vigour. At the moment they run the black market, but if the restrictions of a state-dominated industry were lifted and the kyat devalued, business would blossom.

When people were eating well, the Burmese economic system stumbled along because of Buddhist stoicism and the people's low expectations of government. Then rice exports failed. Last year the Government allowed traders to export rice directly, but with the kyat estimated by the IMF as nearly 300 per cent overvalued, almost none has been exported officially this year. Either the rice has been exported illegally for dollars (at 40 kyats to the dollar, seven times the official rate) or it is being hoarded against the demonetisations aimed at the black market which have already been imposed on the country three times.

A new rice harvest in eight weeks may bring prices down but it cannot remove the scars left by U Sein Lwin's army. Before this week, there would have been no shortage of foreign companies willing to help develop Burma's rich teak, gems, mineral and potential oil resources. Now, after U Sein Lwin's brutal suppression of demonstrations, only the most foolhardy company would consider investing.

While U Ne Win's "Burmese Way to Socialism" introduced 26 years ago, has turned out to be a dead-end and his successor has lost all moral authority, the country's political options are limited. There is no Corazon Aquino, who can be called forward to lead the opposition, or Ayatollah Khomeini, waiting for the fall of Burma's Shah. In fact, there is no formal opposition at all. Most of the hard-core students who inspired the uprising in Rangoon are under voting age and not ready to lead a country.

The most likely candidate is, ironically, Aung Gyi, a former general who helped Ne Win to power in a coup in 1962. After the riots in March and June, Aung Gyi wrote a series of public letters criticising Ne Win's policies and the police handling of the protests. Late last month he was arrested with Sein Win, the leading journalist, and alleged student leaders.

His arrest has given him credibility with the students, who this week called for his release, but it is clear that he, or anyone, will only replace Sein Lwin if there is a successful military coup. Reports of splits within the army are at best unreliable and probably reflect wishful thinking more than fact. Furthermore, the 22nd Light Infantry Division that led the shooting of unarmed civilians in Rangoon was hand-picked by Sein Lwin last year, diplomats say, and appears to be remaining loyal.

Ironically the ethnic insurgents in Burma's outlying hill areas, some of whom have been fighting governments in Rangoon since the British left the area in 1947, could indirectly be helping to split the military though they are not involved in the student-led protests. Reports from front-line army units say soldiers are appallingly badly fed and that malaria is as big an enemy as the insurgents. In any case, whichever government holds power, the minorities' rights have to be met, probably by autonomy within a federal system, if Burma is not to continue tearing itself apart.

Meanwhile, student-led opposition to Sein Lwin and efforts to split his army do not appear to be fading. Demonstrators continue to roam Rangoon. With the Government radio broadcasting gross underestimates of numbers killed and the towns affected, the BBC's Burmese language service is playing an important role in spreading realistic reports. On Monday, before the current curfew, streets hummed with the sound of the BBC report, relayed to Burmese crouched silently around the open doors of numerous tea shops.

The country's rulers, autocrats who have tried to run the economic and political life of the country with the precision of an army barracks, must now decide how much longer to attempt to quell the demonstrations by force. If — like the people who have so clearly rejected them and their policies — they decide enough is enough, Burma has a rocky but rosier future. If they do not, the unrest, and the bloodshed, will continue.

BOOK REVIEW

Rehabilitating J.M. Keynes

KEYNES'S VISION: A new political economy
By Athol Fitzgibbons
Clarendon Press, Oxford. £22.50

ONE of the great claims of Keynesian economics was that it represented a middle way. Enthusiasts saw it as charting a delicate course between the extremes of Smithian market economics and Marxian collectivism.

Yet confidence in a Keynesian third way has been declining in recent years. Indeed, in some circles Keynes is regarded as a discredited and dissolute figure: the Bloomsbury homosexual who undermined the world's faith in *laissez faire* and encouraged irresponsible budget deficits.

One of the merits of Athol Fitzgibbons's short, elegant and strikingly original book is that it offers a means of rehabilitating Keynes. It argues that Keynesian economics has been found wanting largely because care has not been taken to understand its ethical and philosophical roots. Mr Fitzgibbons, an economist at Griffith University in Australia, emphasises the intellectual divide that separates Keynes from the Keynesians who inherited his theories.

The post-war Keynesians, like both libertarians and socialists, had an uncomplicated faith in the "superior logic of science" and implicitly accepted that ethics was sub-rational, in the sense that a sharp distinction between fact and value judgments was possible. In other words, they accepted Hume's dictum that an "ought" cannot follow from an "is".

Keynesians, like other professional economists, thus saw themselves as technicians. The economy was a machine that could be represented by mathematical equations. The role of economists was to put forward and test rigorous theories: to find the means by which politicians might pursue their ends. Value judgments were outside their domain.

The simplified Keynesian models, which were only loosely based on Keynes's more subtle writings, were eventually found wanting. In the 1950s and 1960s a "synthesis" of the new Keynesian and the old classical economics was hammered out within the profession. By the early 1970s, the monetarist counter-revolution was already beginning to eclipse Keynes.

But, as Mr Fitzgibbons stresses, Keynes was not offering just another set of economic equations which empirical research could support or reject. On the contrary, in his scattered writings, he had presented a unique "vision" of the way the world works. His approach to economics was inextricably linked to his little-understood theories of probability, ethics and politics.

The key to understanding Keynes, says Mr Fitzgibbons, is to regard him as a "pre-modern" thinker. The pre-modernity is evident in his approach to morals. Keynes, argues the author, was essentially a neo-Platonist whose problem was "how to bring truth, beauty and love down to political and economic earth." He was a man who, in the 20th century, believed that the "*material* consequences of an action depended on its *moral* quality." He was someone who despised Hume's ethical relativism, seeing it as responsible for the "shallow" utilitarianism which underpins market economics.

Keynes's sympathies lay with the ancients, who had believed in duty and the pursuit of virtue, not with the moderns, who preached self-love and individualism.

The pre-modernity also emerges in Keynes reaction to uncertainty. In his early Treatise on Probability he attacked the scientific or mathematical approach to probability, which assumes that specific probabilities can be attached to various possible "states of nature". He believed that most probabilities are simply unquantifiable.

Of the rate of interest 20 years hence or the position of private wealth holders in the social system in the year 1970, he wrote, "there is no scientific basis on which to form any calculable probability whatever." He strongly opposed the approach of neoclassical economics, which is to sanitise uncertainty and to pretend that it can be quantified.

This is not a minor point. The existence of unquantifiable uncertainty makes a nonsense of profit-maximising utilitarian economics. Businessmen pretend to act rationally, but if they are honest, they know they have to invent the odds in favour of various outcomes. Decisions have to be made impulsively and on the basis of conventional assumptions.

The result is collective insincerity. In order to make decisions, investors have to hide from themselves the extent of the uncertainty they face. As Mr Fitzgibbons puts it: "a gravitational tendency towards bad faith is ultimately responsible for the instability of the capitalist system."

The outlines of a true Keynesian third way thus become visible. On the one hand, it is to accept that economics can never be a fully rational science. On the other, it is to admit the primacy of ethical issues and not to pretend that they can be disentangled from factual analysis. The alternatives to Keynesianism, free market liberalism and socialism, accept neither hypothesis.

Keynes, concludes Mr Fitzgibbons, was neither a liberal nor a socialist. He was an idealist whose goal was the "pursuit of the good" rather than the maximisation of some crude and materialistic measure of utility. A true Keynesian programme, clearly, has yet to be attempted.

Michael Prowse

German left makes links

■ Britain's new Labour-leaning Institute for Policy Research is happy to have raised £250,000 a year for 10 years to finance the battle of ideas against the new right. The Friedrich-Ebert Stiftung (FES), the West German research institute associated with the Social Democratic Party, probably spends more than that on entertainment each year.

With an annual budget of over DM50m (£15m) and 600 full-time staff, it can afford to spread itself about. So it is curious that with 200 staff abroad it has only just announced the opening of a London office. The explanation lies in the fact that when it grew from being a political adult education college in the mid-'60s, it concentrated its overseas resources in the Third World. It was only in the early 1980s that it began to show more interest in the industrial world, and opened offices in New York and Berkeley.

Peter Schulze, who opened the office in California, is now heading to London in October. A youthful 46, he is a former political science lecturer in West Berlin with more than a whiff of Berkeley 1968 about him. The centre-piece of his flat in Bonn is an antique juke box, and he describes his interests as "Pink Floyd and Mr Gorbachev".

What does he hope to achieve in London? "I see myself as a broker between political elites. With the erosion of national instruments of economic control, the need for international consensus on major economic questions is greater than ever." He will at least be close to the centre of things; both the Labour Party and the Fabian Society are offering him office space in Westminster.

Another Storrie

■ The astonishing husband and wife estate agency partnership of Donald and May Storrie is about to swing into action again.

Over 17 years, the two of them built up what was arguably Scotland's largest estate agents' chain. Then in 1986 Storrie sold it to Nationwide Anglia for a price of £15m that set the property world humming. He took over running all Nationwide Anglia's estate agency operations, while May took charge of the Scottish division.

Now, exercising an option to resign early that his solicitors wisely advised him to put in his five-year contract, he is buying back the Donald Storrie name as well as the estate agency in Hamilton, south-east of Glasgow, where the business began. There is nothing to stop May Storrie, who will be running it, from competing directly with Nationwide Anglia and expanding — "though it won't necessarily get to the size it was before," Storrie says.

He himself will concentrate on his own Scottish property business, which owns a number of Nationwide Anglia offices.

His work in establishing the society's estate agency operation is now complete, he says, and his family life was suffering because of the strain of his being in London while his wife journeyed across the north.

OBSERVER

"I just hope Kenneth Clarke doesn't get Spanish tummy, that's all."

Less for less

■ "The falling price of opulence" is how Corney & Barrow's restaurant in Old Broad Street describes its special City lunch offer for the dull days of August. But even cut-price opulence does not come cheap. The charge is £19.95 a head, and this does not include either a dessert (because, they tell me, businessmen seldom want one) or a "suggested" 15 per cent service charge.

C&B is an upmarket establishment — silver napkin rings, Limoges porcelain, imaginative cuisine etc. — but show me anywhere in the City where you get much change for £50 on a business lunch for two.

Ziff's defence

■ Arnold Ziff wrote to John Ritblat yesterday pointing out that for all his criticism of Ziff's management of the Stylo shoe shop chain during the last three years, British Land's 24.6 per cent shareholding still yielded £7m profit when he sold it to Nazmu Virani's Control Securities on Tuesday.

He then went off to court in Leeds, where he is a presiding magistrate and where he also has an office as president of the Leeds Permanent Building Society.

Stylo, headquartered in a Yorkshire stone blockhouse in Bradford, is the Ziff family's corporate fortress by virtue of 906,000 management shares owned by six of its members. Each carries 16 times the voting power of each of the 19m ordinary shares. However, Ziff says that the family and its supporters have only ever used their ordinary shares in a long series of battles against corporate raiders dating back to 1960.

The share structure was devised by Stylo's merchant banker of the day when the company went public in 1935, 17 years after being founded by Ziff's grandfather, his sister and their brothers — all children of Russian émigrés — in 1918.

The five Ziffs in the business now are Arnold, the chairman, his brother Paul, son Michael and cousins Alwyn and Alan. Stylo's prime assets include freehold premises in most of the best high streets in Britain, which is why so many property companies have tried to muscle in.

The Ziffs infuriate them by operating conservatively, worrying less about profits than building net worth and maximising reserves in case of — quite literally — rainy days. Ziff says that the shoe business needs long, hot summers and early, severe winters to thrive. British weather has been all rainy days now for three years.

Will this tempt a sell out to Virani? "Could he take £300m and buy a range of quality freeholds like ours? Probably not," says Ziff.

It looks like the answer is no.

Time warp

■ A friend back from a trip to South Africa reports that his Swatch stopped within 24 hours of his landing there — and began again a day after he got home. Have the Swiss developed politically discerning watches, or is this confirmation, as many would have us believe, that time stands still in the Republic?

David Lascelles

Samuel Brittan on how the regions balance their payments

Why we have no need of a Celtic pound

No one ever tries to set a balance of payments target for a region within a single country. The Yorkshire balance of payments is not published. We do not know if California has a current surplus or deficit with the rest of the world or the rest of the US.

The scarcity of data on the regional balance of payments is itself an indication that the financing is automatic. Nevertheless, there have been some attempts to estimate the balance of payments at the sub-national level.

Such estimates were at their most fashionable during the heyday of regional policy and of the Scottish and Welsh nationalist movements in the late 1960s and the 1970s. An investigation was also made for the European Commission in an earlier, abortive drive to monetary union in the 1970s. This was the report of the study group on The Role of Public Finance in European Integration (Brussels, 1977), generally known as the MacDougall Report.

Researchers are normally able to estimate the trade balance, including services as well as visible goods, from the regional output and income data. In the table on Wales the resulting deficit is called "net imports".

A large part of the gap is made up by transfers via the public sector. This is not only, or even mainly, regional policy. Public transfers result from the simple fact that more tax revenue, per head of the population, is raised in richer regions, and more of the public expenditure (for instance in unemployment benefit) is incurred in the poorer ones.

The table shows the remaining gap in the late 1960s. This gap was partly met by private transfers (such as pension payments and property income) from "abroad", and partly by private capital movements. But because of the paucity of data, the two have had to be put together. The data would be consistent with Wales either receiving large investment income from abroad and running a payments surplus, or with Wales running a deficit financed by capital inflows.

An estimate made by Professor A.J. Brown for the MacDougall committee does try to divide up this residual item. The results, which apply to the year 1964, suggest that net property income and private transfers from outside the Principality were not sufficient to finance net imports, and that Wales ran a current deficit of £42 per capita, financed by private capital inflows.

In the south west of England, however, income and transfers from outside were sufficient to convert a trade deficit of £41 per capita to a surplus of £8 – not surprisingly for a retirement area.

The main purpose of the MacDougall estimates was to show the role of public finance in transferring resources to poorer areas, and thus hint at the need for such transfers on a European scale.

Payments surpluses before fiscal transfers of up to 15 per cent of gross regional domestic product (GRDP) were found to be common in the EC; and payments deficits of 30 to 40 per cent occurred in the poorer regions of Italy. These were much reduced by fiscal transfers. Basilicata in south east Italy was shown with a regional balance of payments deficit of over 42 per cent of GRDP. After fiscal transfers amounting to 28 per cent of GRDP it still had a payments deficit of 14 per cent.

This is the general pattern. Transfers were sufficient to reduce both the surpluses of the richer areas and the deficits of the poorer ones, but only occasionally – as in the case of south east England – to eliminate them altogether. The Lombardia region of Italy is shown with a surplus of over 15 per cent of GRDP, reduced to 4 per cent after transfers to the rest of Italy.

A further significance of fiscal transfers is in cushioning short-term and cyclical fluctuations. MacDougall estimated that between one half and two thirds of any short-term regional income loss due to a fall in external sales is automatically offset through lower tax payments and higher benefit receipts.

The cushioning is achieved within individual countries by public expenditure amounting to 45 per cent of gross domestic product (GDP). A Community Budget of 1 per cent of GDP could not possibly fulfil this function. Nor could it even if it was enlarged by a transfer of functions to 2½ per cent, as MacDougall suggested.

But I find this less than a decisive argument against monetary union. The fiscal cushioning is only fully effective against local disturbances. Many of the major economic shocks of the last decade have been common to the whole of Europe.

Another argument for multiple currencies is based on wage rigidities. For instance, a study of "Regional Labour Markets in Great Britain", released before today's Bank of England Bulletin, concludes that "earnings are relatively inflexible between regions so that regional demand shocks are absorbed mainly by variations in employment". A superficial inference might be that the regions would be better off with their own currencies so that the high unemployment ones might reduce their wages, relative to others, by the back-door method of devaluation, and thereby attract more jobs.

I find it difficult to believe, however, that whatever deep-seated institutional and psychological forces link together wages in different parts of the UK could be dissolved by currency manipulation. Otherwise unions and employers would be exhibiting an altogether unlikely capacity for self deception in failing to realise that a devaluation of a Celtic or north eastern pound has the same effect as a regionally differentiated pay settlement in a single currency area. The first regional devaluation to occur might just succeed by its very novelty in yielding a one-off competitiveness again. But if it were repeated it would be anticipated and lose its potency.

The costs of being outside a large single currency area are, on the other hand, permanent – whether in the hypothetical case of a part of the UK adopting its own currency, or the actual case of the UK staying aloof from any European monetary union.

To come back to the case of existing regions: most of the studies from the 1970s say little about the role of private as distinct from Government transfers. The example of Scotland shows how important such transfers can be.

Estimates by the Scottish Development Department suggest a deficit on goods and services of £0.3bn in 1973 and one of £1.1bn in 1979, the latest available year.

Sheila Dow of the University of Stirling has made an attempt to move from here to the Scottish balance of payments as a whole. This is much the most sophisticated of the regional estimates that I have seen; but Mrs Dow emphasises that they are no more than heroic attempts at orders of magnitude.

The estimates are given both with and without the oil and gas extraction of the Continental Shelf. The latter is so large in relation to the Scottish economy that it is separated off by UK statisticians into a region of its own. Excluding the Continental Shelf, Scotland had an estimated trade deficit of £1.05bn in 1979. Public sector transfers reduced this by £0.6bn per annum.

But an inflow on property income and other private transfers of £5bn transformed the balance into a current surplus of £4.6bn. Different methods of estimation might reduce private transfers by, say, £2bn. But there is no escaping a massive positive entry or the resulting payments surplus – even, it must be emphasised, without North Sea oil.

The Scottish result shows how highly defective the current balance of payments is as an index of prosperity and well-being. Scottish GDP per head has varied in the last decade between 3 and 7 per cent below the UK average, excluding the Continental Shelf. Real disposable income per head has also been in the same range. Yet Scotland (again excluding the Shelf) has a current surplus which is invested in England and the rest of the world. Indeed, some Scottish spokesmen would regard this investment outflow – which is the mirror image of the current surplus – as a drain from Scottish resources and evidence of the malign effect of its integration with the UK.

What is the essential difference between a regional and a national balance of payments? The amount of Welsh or Scottish assets that an English resident will hold is ultimately governed by the prospective return on these assets and default and solvency risks. The exchange rate risk which would have to be added if there were a Welsh or Scottish pound can be regarded as an addition to those risks, and requiring a special premium.

The existence of different national currencies thus adds uncertainties and information costs which would not otherwise be there. That is one reason why inter-regional trade typically accounts for 70 per cent of GDP, while international trade accounts for only 30 to 40 per cent in the larger European countries.

Let us compare a Welsh purchase of office machinery from England and a similar purchase from France. The English supplier will usually be prepared to hold the currency in which he is paid, namely pounds sterling. If he uses the pounds to buy other UK goods or make investments, the next person in the chain is also likely to hold the sterling.

A French supplier is, however, likely to hold francs. If the postulated transaction leads to an excess of purchases from outside the UK over foreign currency inflows into the country, the UK Government will lose reserves. If it does not wish or cannot afford to do this, it will either have to let sterling float down to a level where it attracts overseas investment inflows, or it must raise UK interest rates to achieve the same purpose.

The difference is, however, one of degree. If ownership of Welsh bank deposits shifts indefinitely into English hands, the Principality will become impoverished and imports from England will decline. This will not occur, however, if the trade deficit is offset by an inflow of English capital. Mrs Dow writes of a hypothetical region "experiencing internally-generated growth, whose trade balance may be in deficit. Even if long-term capital flows, attracted by the region's good prospects, are insufficient to balance inter-regional payments, consumer credit and working capital are a more attractive prospect for a bank than in a declining region." This fits the UK now as well as it does any region.

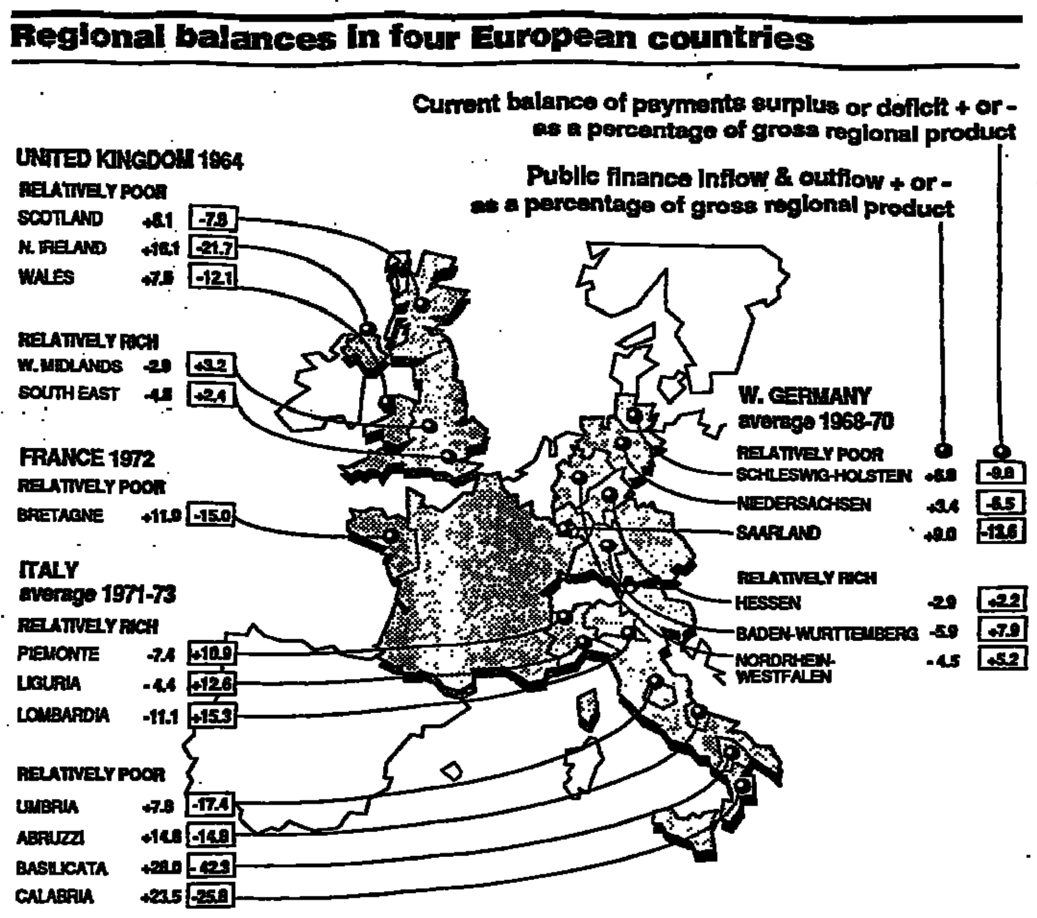
Thus the conditions in which a current national payments deficit "does not matter" are quite similar to those in which a regional deficit is tolerable. The main differences are that a common currency allows a longer period of adjustment and that, because there are no balance of payments figures to fret over, people do not worry about the composition either of the deficit or of the capital inflows which finance it. They are reasonably happy if the region's wealth is seen to grow. The many omissions and errors of pessimism which plague the UK balance of payments do not distort policy in Wales, Scotland, Yorkshire or in Devon.

The abolition of the balance of payments pseudo problem is one of the main arguments for a European or Group of Seven currency. In the meanwhile, we can secure many of the advantages as a result of the integration of international capital markets under which small interest differentials are sufficient to finance imbalances, provided that there is more confidence in the exchange rate structure than exists today.

The financing of net imports, Wales, (£m)

	1965	1966	1967	1968
Net imports	113	149	209	194
Financed by:				
(1)net public sector expenditure	114	112	163	161
(2)net income from abroad and private sector capital inflows	-1	37	46	33

Source: Expenditure Accounts for Wales, C.R. Tomkins, Welsh Council



Scotland's balance of payments, 1979 (£m)

	Without Continental Shelf	With Continental shelf
Balance of trade in goods and services	-1,050	-520
Public sector transfer	610	-1,703
Other transfers and net property income from abroad	4,995	9,426
Current account	4,555	7,203
Capital account	-4,522	-7,170
Change in cash base	+33	+33

Source: The Scottish Balance of Payments, Sheila Dow, The University of Stirling

LETTERS

Statistics are certainly not certainties

From the Director, Central Statistical Office.

Sir, In "How savings statistics were mismeasured" (August 8) Steven Bell rightly concludes that, since our estimates of personal saving represent the difference between two large aggregates, they are subject to a wide margin of error. To suggest, however, that an alternative estimate based on the difference between the figures of personal sector asset purchases and take-up of financial liabilities is more reliable, and to refer to this as a "direct" measure of saving, is astonishing.

Except for the estimates of national savings, all the components of the personal sector financial accounts are subject to coverage, reporting or sampling errors. Many of the items are derived indirectly as residuals after making estimates for other domestic sectors and the overseas sector. In addition, there are known omissions from the personal sector financial accounts (for example, the trade credit of unincorporated businesses). For all these reasons the alternative measure of personal sector saving is also subject to great uncertainty.

It is sensible to draw attention to the uncertainty about recent levels of personal sector saving. *It is unhelpful, however,* to suggest that a measure derived from estimates of transactions in personal sector assets and liabilities is much more reliable than one derived from figures of income and expenditure.

Jack Hibbert,
Cabinet Office, Central Statistical Office,
Great George Street, SW1

From Dr Peter Westaway.

Sir, Steven Bell's account (August 8) of the mismeasurement of the UK personal sector's saving behaviour should not be discounted, but there are good reasons for rejecting it as a complete explanation of the current policy position.

First, the conclusions drawn are far stronger than the evidence presented would merit.

The crucial argument that, over the recent past, the financial accounts have provided a more reliable guide than the income/expenditure accounts hinges on the claim that a 25 per cent error on the personal sector's net acquisition of financial assets is "wildly implausible" compared to one of 7 per cent in measuring income on the national income accounts.

But, because personal sector financial transactions are often treated as the residual item in the financial accounts, any uncertainty band associated with this item must necessarily reflect all the errors made elsewhere in the financial statistics. Potentially, this is very large, and might easily be consistent with a 25 per cent error (although it is more informative to refer to absolute errors rather than proportional errors in this context).

Even leaving aside issues of statistical technique, it is much easier to think of reasons why the financial accounts may be flawed compared to measures of income; for example, security dealers have been mis-classified and unrecorded transactions involving new financial instruments have proliferated.

Perhaps an even more significant argument against Steven Bell's thesis, however, is his implicit assumption that economic theory has drawn a blank in attempting to explain the recent falls in the saving ratio.

It is generally agreed that the rapid growth of credit has been an important influence; informal evidence for this is provided by the approximately constant ratio that has recently been maintained between customer spending and total sources of funds (income plus new borrowing). Despite this, most consumption equations, on which the erroneous forecasts that Mr Bell mentions are based, include only small explicit effects from borrowing, and are included in models which are quite incapable of explaining recent fast growth in personal sector credit.

We might therefore conclude that in attempting to explain our under-prediction of consumption we need look no further than the shortcomings in our understanding of the interaction between consumer spending and borrowing.

Of course, it may still be true that distortions in the statistics have caused us to misinterpret recent economic conditions, but rather more evidence seems necessary before any strong policy recommendations can be drawn.

Indeed, if the Chancellor does have funds earmarked for improving the nation's economic statistics, perhaps he should consider channelling a few extra into trying to understand how the economy works.

Peter Westaway,
National Institute of Economic and Social Research,
2 Dean Trench Street,
Smith Square, SW1

'Television is primarily for viewers ...'

From Mr Kenneth Miles.

Sir, Christopher Dunkley, your television correspondent, is being unreasonably pessimistic (August 3) in suggesting that the main considerations of those responsible for looking at the future of broadcasting ignore the interests of viewers.

I do not know what was decided by the Cabinet committee recently – and I doubt whether he really knows – but there is no reason to think that the quality of programmes and the interests of viewers are absent from the minds of those concerned. I am more optimistic than he is.

There are plenty of stimulating and challenging programme makers around, whether "in-house" or independent, and I see no reason to doubt that there will be even more. Any programme maker with a good idea should in future have the opportunity to get his or her programme made, which cannot be said at the moment, with the BBC and ITV "duopoly" deciding what will go on air.

Whatever the structure of broadcasting, the content of programmes will eventually always depend on programme makers and the programme schedulers - not on advertisers, politicians or shareholders. If the programme makers want to make good and original programmes there will be absolutely nothing to stop them except their own notion of what will be liked by viewers.

As far as I know it is still Government policy that television is primarily for viewers, not for anyone else. We, as advertisers, entirely support that view. It is sometimes suggested that there is a conflict of interest between viewers and advertisers; I regard this as fundamentally mistaken. If viewers switch off ITV programmes because they consider them to be poor, then we as advertisers are dissatisfied. If more viewers watch more ITV programmes because they are more in line with their preferences, then we too are happy. Industry costs come down, viewer satisfaction grows; there is no conflict between our interests.

What is more, as advertisers we fully support the continuation of the Channel Four remit to supply minority programmes – and we would like to see even more programmes appealing to younger audiences and the better educated audiences. We believe that both viewers and advertisers will get a better end result from a comprehensive mix of programme kinds. That is what we would like to see on ITV, on Channel Four, and on any new channels introduced.

Mr Dunkley seems to believe that competition and choice will drive down standards. We believe (and I think the Government shares this view) that competition and choice normally drive up quality standards.

I appreciate that just because more competition and choice in, say, the car market, improves standards, that does not necessarily mean that the same will apply in the broadcasting business. Nevertheless, when there is a wide range of channels to choose from, and when any programme maker with a good idea should be able to get the programme made and shown (and possibly sold abroad), I see no reason whatever to believe that programme standards will drop.

Kenneth Miles,
The Incorporated Society of British Advertisers (ISBA),
44 Hertford Street, W1

FINANCIAL TIMES
Thursday August 11 1988

Anti-Mafia law turned on Wall St

Janet Bush reports on a new tactic in fighting securities fraud

If you want to relive all those classic black-and-white mobster movies of the 1930s, go down to Chicago's trendy Lincoln Park area and take in the stage adaptation of Little Caesar at the alternative Organic theatre.

Do you remember Little Caesar? Edward G. Robinson, playing the gangster Rico, gets mown down in a hail of bullets and the soundtrack intones those memorable words: "Mother of Mercy. Is this the end of Rico?"

While echoes of Chicago's violent past rattled around the cavernous warehouse of the Organic theatre last week, Mr Rudolph Giuliani, District Attorney for the Southern District of New York, brought the name Rico into centre stage of the modern era.

In 1930s Chicago, Rico was a man who took on the mob and lost. In 1980s New York, RICO is an acronym standing for the Racketeering Influenced and Corrupt Organisations Act, the latest and most aggressive weapon yet used against the white collar crime of securities fraud.

Mr Giuliani, the gaunt figure who since his tough handling of Mr Ivan Boesky, the New York arbitrageur imprisoned for insider trading, has been the nemesis of Wall Street's modern-day racketeers, last week announced indictments on racketeering charges under the RICO law against six men accused of securities fraud.

Named in the indictments are five leading officials of Princeton/Newport, a New Jersey investment partnership, and a former trader at Drexel Burnham Lambert. Each of the six men are charged with conspiracy, racketeering and racketeering conspiracy as well as several counts of mail and wire fraud.

The indictment outlines an alleged tax fraud in which Princeton/Newport officials allegedly created false long-term capital gains and short-term capital losses by setting up pre-arranged transactions with the trader at Drexel.

The indictment charges that these transactions netted Princeton/Newport more than $13m in bogus tax losses between November 1984 and February 1986.

The RICO act became law in 1970 and was designed specifically to fight the Mafia. It has been used most successfully in the prosecution of organised crime and drug-related cases.

It carries severe penalties. Each of the defendants could face 20 years in prison on each of the two counts of racketeering, five years on each additional charge and Princeton/Newport could be forced to hand over all its earnings in the years of the alleged racketeering to the Government.

RICO was used successfully in 1986 in the racketeering and conspiracy case against Carmine "the Snake" Persico and his New York Colombo organised crime family. That case was spearheaded by Mr Bruce Baird, then an Assistant US Attorney.

'Lawyers criticised our use of racketeering charges in the Mafia cases. Every single lawyer criticised our use of racketeering in the Wedtech case. What do you expect them to say? That's what they get paid for' — Rudolph Giuliani (left)

Mr Baird is now Mr Giuliani's right-hand man in fighting corruption on Wall Street and, as head of the US Attorney's securities and commodities fraud unit, is at the centre of the long-running investigation into alleged insider trading at Drexel Burnham Lambert.

Mr Baird is but one link between insider trading on Wall Street and organised crime which to many, notably the defence attorneys for the six men charged last week, seem worlds apart.

Under the provisions of the RICO law, there is one clear parallel. The act says that a person or business committing two or more crimes as part of a pattern can be charged with racketeering.

Mr Jeffrey Rosen, one of the partners at Washington law firm Rosen & DeMartino, also points out that the act prohibits the infiltration of an enterprise by a criminal element and that Article 10B5 of the act actually specifies mail and securities fraud.

Mr Rosen, who declined to comment specifically on the Princeton/Newport case, nevertheless said that he found no objection to the RICO law being used in insider trading and other securities fraud cases.

"The RICO act is, in my opinion, tailormade for an insider trading scheme . . . It is not particularly aimed at people whose names end in vowels," he said, referring to cases brought under the act against the Mafia.

Late last month, the US Attorney in Chicago brought racketeering charges against a former lawyer accused of insider trading and so set a precedent for last week's announcement in New York.

Mr Giuliani staunchly defended his use of RICO in the Princeton/Newport case: "Lawyers criticised our use of racketeering charges in the Mafia cases. Every single lawyer criticised our use of racketeering in the Wedtech case. What do you expect them to say? That's what they get paid for."

This case has the most fascinating potential. The Government's clear intention to use RICO in the Chicago case and in the Princeton/Newport case has sent a shiver of anticipation along Wall Street.

The Street believes that Messrs Giuliani and Baird are looking beyond the six indicted last week. US lawyers believe they are continuing to gather evidence in their long-running securities fraud investigation into the activities of junk-bond king Mr Michael Milken and Mr Robert Freeman, head of arbitrage at Goldman Sachs.

Princeton/Newport are believed to have close relations with both men and the former trader at Drexel used to report directly to Mr Milken.

UN group on way to monitor the Gulf ceasefire

By Edward Mortimer in Tehran and Tony Walker in London

THE FIRST detachment of United Nations Gulf peace observers are on their way to the Iran-Iraq battlefront to monitor the ceasefire due to come into effect on August 20.

Mr Marrack Goulding, the UN Undersecretary-General in charge of peacekeeping operations, said in New York that all members of the 350-man monitoring team were expected to be in place at strategic points along the 1,200-kilometre Iran-Iraq frontier within a week.

Meanwhile, in Tehran, Ali Akbar Hashemi Rafsanjani, the acting military chief and parliamentary Speaker, sought to counter suggestions that Iran had collapsed militarily after eight years of slogging conflict in which an estimated 1m lives were lost on both sides.

Mr Rafsanjani said that Iraq had finally agreed to the terms for a ceasefire only when it had found Iranians resisting strongly its latest military offensives. He claimed a moral victory, saying it would have been easy for Iran to retaliate in kind against Iraq's chemical attacks, but it had chosen not to do so.

Mr Rafsanjani, who is regarded as the second most powerful figure in Iran, told an international symposium that his country expected UN resolution 598 to be implemented in full, including specifically the provision that calls for the establishment of an impartial commission of inquiry to look into the origins of the conflict.

Iran insists Iraq is to blame for starting the war in September, 1980, when Iraqi troops crossed the Shatt al-Arab waterway which divides the two countries in the south. Iraq says it acted in response to repeated provocations.

In Tehran, a senior Iranian diplomat who will participate in direct talks with Iraq, said that lasting peace would result only if Iraq were branded as the aggressor.

Mr Cyrus Nasseri, head of the Iranian mission to the UN in Geneva, said that Iran would be seeking "compensation for aggression."

Mr Javier Perez de Cuellar, the UN Secretary-General, announced details of the ceasefire on Monday in New York after an intense round of diplomatic discussions over the weekend. The 15-member Security Council voted unanimously on Tuesday to authorise the United Nations Iran Iraq Military Observer Group.

In Washington, a spokesman for President Ronald Reagan said the US would ask Gulf states to contribute to the $70m annual cost.

"We do intend to urge the Gulf states, who are the chief beneficiaries of this settlement, to share in the cost, through voluntary contributions," said Mr Marlin Fitzwater. "We'll be giving the same message to other countries like Japan and others who have an interest in the Gulf."

THE LEX COLUMN

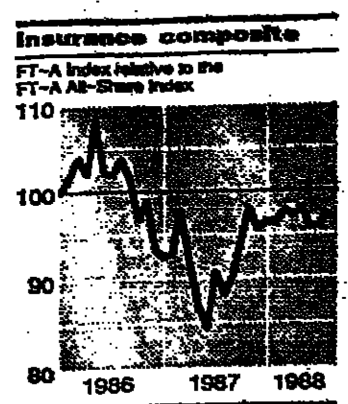
BAT pitches into the ball park

Generosity is relative, but an extra $600m from BAT should ensure that the Farmers board can no longer claim that BAT is mean as well as unsuitable. That does not necessarily imply that $72 a share will be enough to prompt Farmers to talk figures instead of philosophy, however, and a sleepy midnight assurance from Los Angeles that Farmers would give the offer "careful consideration" was surely no more than could have been expected from a company facing shareholder suits over its conduct of the bid defence.

Not surprisingly, a market wearied by months of regulatory wrangling welcomed the opportunity to focus again on the value of the company at issue: Farmers' shares rose sharply on news of the increased bid, though early yesterday they stood only a fraction above the unimproved offer of $63 a share. Such scepticism is probably wise: for while $72 a share implies a multiple of 17 times prospective 1988 earnings – probably fair enough by any imperial standards – the Farmers board may value its independence differently from the market.

And even if Farmers decides that it would be obstinate – or indeed, imprudent – to continue refusing to speak to BAT, it could still have difficulty persuading the regulators that $72 rather than $63 makes BAT somehow more suitable to run an insurance company. Some of them could prove immune to such persuasion – and as the BAT offer stands, one state alone would be enough to spoil a deal, however amicable.

Insurance composite
FT-A Index relative to the FT-A All-Share Index



UK equities

A pattern seems to be emerging in London's reaction to this week's interest rate rises. Base rates at 11 per cent – or 12 per cent, come to that – are fine, because they demonstrate inflationary resolve and are in any case a temporary measure to rein in consumer spending. But higher US interest rates are a worry, because they imply inflationary pressure and tend to push bond yields up and Wall Street down. To that extent, it was logical enough yesterday for the FT-SE to hold up in the morning and slump with Wall Street in the afternoon.

The snag is that UK investors are choosing to ignore short term interest rates while assuming that domestic borrowers will do the reverse. But it is not yet clear that mortgage and consumer credit spending are slowing down, and it is the Chancellor's job to keep tightening the screws until they do. The market is implicitly assuming that an economic soft landing will be more easily achieved in the UK than the US, and it may well be right. But with the FT-SE back at the bottom of a two month trading range, it will need more support than it has been getting just lately from Wall Street and Tokyo if London's sunny mood is not to evaporate.

UK composites

If anyone was in any doubt that the first six months of 1988 have been a pretty exceptional period in the UK insurance industry, yesterday's first half messages from Commercial Union and General Accident set the record straight. The former reported a rare UK underwriting profit, whilst the latter increased its interim dividend by an impressive 24 per cent. Unusually clement weather conditions and continued rate firmness in the UK cannot be counted on in the second half, but the general picture remains one of reasonably stable conditions in the UK with signs of softness beginning to appear in the US and Canada. Meanwhile, the partial recovery in the equity markets has helped bolster solvency margins.

Despite Commercial Union's reservations about the timing of the next downturn in global underwriting, the market remains of the opinion that 1988 will mark the peak in the current earnings cycle. Against this sort of background, investors are once again focusing on the outlook for dividends, and General Accident's generous interim payout, when combined with its record of sustained dividend growth and undoubted balance sheet strength, should give it an edge.

Gilt auction

The large turnout for yesterday's gilt auction was not so much despite three rather dud trial runs, but more because of them. It seems market markers were so sore at the missed opportunity of the last auction, when they could have bought some gilts cheap, that they put in enough silly low bids this time to ensure the sale was covered several times over. More encouraging than the number of bids was the confident behaviour of the market during and after the auction, suggesting that it is getting the hang of them at last. Despite this technical success, yesterday's sale does not prove the virtues of auctions per se. As one would expect, the prospect of the sale depressed prices of that maturity in advance. While that might be a necessary evil for a Government with a lot of selling to do, it seems a bit unnecessary for one which can meet its entire funding requirement through a handful of tapiets.

Ultramar

The market is so confident that a bid for Ultramar will one day come that the bird of prey pictured on the front of the company's results might be taken as more important than the numbers inside. In other times a 14 per cent increase in profits might be regarded as a decent if unremarkable performance; but as the shares are on a p/e of 18, the size of the e has become almost irrelevant.

Ultramar is a puzzle – a textbook bid candidate that has never been bid for. It is not hard to see why the market keeps hoping: the distinct parts are crying out to be broken up, the management does not command any great respect in the City, and the whole sector is being combed by wealthy bidders. At 289p, however, investors may be taking the comparison with Tricentrol, Britoil and others a bit far. The current market price appears based on a £ per barrel calculation, according to which the shares at 289p may seem cheap. But any bidder will presumably take an interest in the whereabouts of the oil, and may find a barrel in Indonesia worth a small fraction of a barrel in the North Sea.

Six more arrested in Hong Kong

By Michael Marray in Hong Kong

SIX MORE former officials of the Hong Kong Stock Exchange were arrested yesterday in the continuing investigation into the exchange by the colony's Independent Commission Against Corruption (ICAC).

At the same time, additional charges were laid against Mr Ronald Li, former chairman of the Stock Exchange and Mr Jeffrey Sun, its former chief executive, both of whom were already under arrest on corruption charges brought by the ICAC.

The six new defendants include Mr Charles Sin, technically still chairman of the exchange, and three vice-chairmen of its general committee, Mr Kenneth Wong, Mr Joseph Ma and Mr Cham Siu-Leun.

However, since the arrest of Mr Li on January 2, none of the four has played any part in running the exchange, having been "distanced" from its affairs pending the ICAC investigation. A new management committee was formed

The two other defendants, Mr John Chong and Mr Edward Woo, stood down from the general committee after last December's stock exchange elections.

The new charges brought against Mr Li involve four counts of accepting a beneficial interest in shares in respect of the flotation of Cathay Pacific Airways, Videotechnology International, QPL Holdings and Hysan Development.

Mr Li was also charged on one count of accepting sub-underwriting commissions in respect of Cathay Pacific, which attracted a massive HK$51bn ($6.4bn) worth of applications for the HK$1.54bn worth of shares offered in May 1986.

The Cathay float was jointly underwritten and managed by Baring Brothers and Wardley.

The chairman of the Swire group in Hong Kong, Mr David Gledhill, said in a statement yesterday that neither Swire nor Cathay management had been aware "until the ICAC investigation that there was any suggestion that Ronald Li had allegedly obtained an advantage out of the flotation of Cathay Pacific."

Mr Jeffrey Sun, previously charged with counts involving Videotechnology and QPL, was charged with an additional offence concerning the flotation of Hysan Development in 1981.

The charges against the six new defendants involve Hysan, QPL and Videotechnology, while Mr Li was also previously charged in relation to the flotation of the local subsidiary of a leading Japanese construction company, Kumagai Gumi.

Canada in shock as ice star defects

By Bernard Simon in Toronto

CANADA is in a state of national shock following the transfer of its ice hockey superstar, Wayne Gretzky, from the Edmonton Oilers team to the Los Angeles Kings.

A mood of disbelief pervaded homes and offices throughout the country yesterday as the news sank in that the amiable man nicknamed "VG One" had decided to forsake Canada for a struggling, relatively unknown team in a city where the only ice is to be found in cocktails.

The media have given the Gretzky move as much prominence as a prime minister's assassination. The mass circulation Toronto Sun devoted 10 pages of yesterday's issue to the news. A senior opposition member of parliament called on the Federal Government to intervene to halt the transfer.

Mr Gretzky, choking with emotion, said on Tuesday evening that he had asked for the transfer to be with his pregnant wife. He married Janet Jones, a California actress and model, last month.

Mr Gretzky and two other Oiler players will be exchanged for five Kings' players plus a cash payment rumoured to be between $10m and $15m, the highest ever paid for a sports, star.

Mr Gretzky, who has spearheaded the Oilers to victory in four of the last five Stanley Cup Championships, said, "I felt I was still young enough and capable enough to help a new franchise win the Stanley Cup."

Recognisable on the ice by the number 99 on his jersey, Mr Gretzky is widely regarded as one of the world's finest athletes. Sports writers have voted him the best player in the National Hockey League for the past 10 seasons.

To Canadians, Mr Gretzky, 27, is more than a star athlete. He epitomises the gentle politeness which many Canadians think distinguishes them from, the more extrovert Americans. Several newspapers yesterday described him as a "national treasure."

Callers to radio talk shows are comparing the new Mrs Gretzky with John Lennon's widow Yoko Ono, who bore the brunt of the blame for the break-up of the Beatles in the early 1970s.

Shanghai telephone venture agreed

By Hugo Dixon in London

GEC Plessey Telecommunications, the UK group, is to start manufacturing private telephone exchanges (PABXs) in Shanghai later this year, after an agreement signed with the Chinese authorities yesterday.

This is the most significant international deal yet for GPT, which was formed earlier this year when GEC and Plessey merged their telecommunications operations. Its previous contracts include the supply of payphones to Moscow and telephone exchanges to Kenya.

GPT has three partners in the joint venture: the China International Trust Investment Corporation, a quasi-governmental body; the Shanghai Telephone Equipment Factory, China's largest telecommunications plant; and Lityan Development of Singapore, which has acted as Plessey's agent in China for several years.

The initial investment by the four partners, all of which have roughly equal stake, will be about £8m ($13.5m). More will be invested as the venture develops from being an assembly operation for kits to a fully fledged manufacturing facility.

GPT said that the venture would be producing at least 100,000 lines each year and would generate sales of about £120m over 15 years.

In addition to its share of the profits, GPT will receive royalties for licensing its technology and payments for components and equipment it supplies.

GPT said it had reached the agreement after four years of negotiations, in which it had been helped by the British Department of Trade & Industry and a visit in 1986 by Queen Elizabeth of England to Shanghai. The DTI has supported the venture with a grant of more than £1m.

GPT also said it hoped the deal would open the door for further sales in China.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Dubrovnik	S	28	82	Malta	S	31	88	Rhodes	S	28	82
Algiers	S	36	97	Edinburgh	F	18	64	Manchester	F	18	64	Rio de J'o	C	34	93
Amsterdam	C	20	68	Faro	S	27	81	Manila	C	32	90	Rome	F	33	91
Athens	F	34	93	Florence	S	34	93	Melbourne	C	12	54	Salzburg	S	26	79
Bahrain	F	41	106	Frankfurt	S	28	82	Mexico City	C	25	77	San Francisco	F	21	69
Bangkok	F	32	90	Funchal	F	26	79	Miami	C	31	87	Seoul	F	37	99
Barcelona	S	28	82	Geneva	S	27	81	Milan	S	29	84	Singapore	C	32	90
Beirut	C	31	88	Gibraltar	S	31	88	Montreal	C	29	84	Stockholm	C	23	73
Belfast	R	15	59	Glasgow	R	16	61	Moscow	C	20	68	Strasbourg	S	29	84
Belgrade	A	31	88	Guernsey	C	16	61	Munich	S	27	81	Sydney	S	15	59
Berlin	F	28	82	Helsinki	C	19	66	Nairobi	C	22	72	Taipei	F	34	93
Biarritz	C	22	72	H. Kong	R	29	84	Naples	S	30	86	Tangier	F	24	75
Bombay	F	30	86	Innsbruck	S	25	77	Nassau	C	31	88	Tel Aviv	S	33	91
Bordeaux	S	29	84	Inverness	C	17	63	New Delhi	C	33	91	Tenerife	S	27	81
Brussels	S	24	75	Islamabad	C	34	93	New York	C	34	93	Tokyo	R	30	86
Budapest	C	25	77	Istanbul	F	30	86	Nice	S	28	82	Toronto	C	33	91
B. Aires	C	13	55	Jakarta	C	33	91	Nicosia	F	35	95	Tunis	S	31	88
Cairo	F	36	97	Jersey	C	19	66	Oporto	S	19	66	Valencia	S	32	90
Cape Town	-	—	—	Jo'burg	C	17	63	Oslo	C	25	77	Venice	S	29	84
Caracas	C	26	79	Lima	R	16	61	Paris	C	27	81	Vienna	S	27	81
Casablanca	S	24	75	Lisbon	F	28	82	Peking	F	31	88	Warsaw	F	24	75
Chicago	C	29	85	London	C	22	72	Prague	S	27	81	Washington	-	—	—
Cologne	F	26	79	Los Angeles	C	26	79	Reykjavik	C	14	57	Zurich	S	25	77
Copenhagen	S	23	73	Luxembourg	F	25	77								
Corfu	S	32	90	Madrid	S	32	90								
Dallas	F	28	82	Majorca	S	30	86								
Dublin	C	18	64	Malaga	S	29	84								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UN offers compromise plan on W Sahara war

THE UNITED NATIONS is to offer a compromise proposal in the Western Sahara dispute today calling for a ceasefire and referendum, a UN spokesman said yesterday, Reuter reports from New York.

Mr Javier Perez de Cuellar, UN Secretary-General, will hand the proposals on Western Sahara to Mr Abdellatif Filali, Moroccan Foreign Minister, and Mr Driss Slaoui, UN representative, at a meeting this afternoon. About 45 minutes later, he is to give the plans to Mr Bechir Mustapha, a member of Polisario's executive committee, and Mr Mohamad Sedati, a member of Polisario's political bureau.

After the handover the Secretary-General is expected to announce that a response has been requested by September 1. The spokesman said, however, that contents of the plan would be confidential.

Mr Perez de Cuellar met yesterday with Mr Modibo Keita, Foreign Minister of Mali, whose country holds the current chairmanship of the Organisation of African Unity.

The UN and the OAU have been involved in intensive consultations to resolve the conflict in the Western Sahara, a former Spanish colony whose rule by Morocco has been contested for 12 years by the Polisario guerrillas.

The UN General Assembly in January 1986 called on the Secretary-General and the OAU chairman to persuade the two sides to negotiate the terms of a ceasefire and a referendum.

Bush campaign cuts into Dukakis lead

Continued from Page 1

ing a document which will contain a striking emphasis on social policy. Draft papers include Mr Bush's proposal for a tax credit to help working parents with child care expenses, and aid for AIDS victims.

Other working papers include familiar conservative favourites such as continued support for the Strategic Defence Initiative programme, and backing for the Nicaraguan Contra rebels. The centrepiece is Mr Bush's flat pledge not to increase taxes.

Yet many Republicans still feel uneasy about Mr Bush. They do not respond to him as a candidate

His candidacy will also not have been helped by a lengthy series of profiles in the Washington Post – the result of more than 200 interviews. They depict a genial man uninterested in substance, constantly deferential to others, a politician who made his way to the top on the back of a privileged network of contacts, starting at the secret Skull and Bones Club at Yale.

President Reagan stepped up his support for Mr Bush on Tuesday by nominating an Hispanic-American, Mr Lauro Cavazos, president of Texas Tech University, as Education Secretary, a move aimed at courting the Hispanic vote in the key election state of Texas. Mr Cavazos would be the first Hispanic-American to hold Cabinet rank.

هكذا من الأصل

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday August 11 1988

INSIDE

Texaco sale draws the bargain hunters

Stakes are high in the run up to the sale of Texaco Canada. It has a 10.4 per cent share of the national petroleum products market, and 1,800 service stations. In the first half this year it earned C$151m (£74m) on revenues of C$1.3bn, and as a further sweetner it is virtually debt-free. Robert Gibbens looks at the potential buyers for Texaco's Canadian interests. Page 22

GKN profits hit £84m

GKN, UK automotive components and engineering group, reported a 25 per cent increase in pre-tax profits to £84m in the six months to June 30, against £67m in the equivalent period. David Lees, chairman, said the industrial services division and the defence business had made important advances. Page 21

NZ makes a date with Bahrain

No country has less in common with Bahrain, horticulturally or geographically, than New Zealand. Yet scientists from the South Pacific island country have been asked to improve the production of Bahrain's date crop, using their expertise in the art of micropropogation — a horticultural form of cloning. Page 26

Paper money a success with institutional investors

Institutions are rushing to back the £608.6m buy-out of Reedpack, the paper and packaging interests of Reed International. But the rapid mustering of 39 investors, reflects not only their confidence in Reedpack — which is a market leader in many of its nine business sectors — but the success of similar deals. Page 21

Sappi sees the trees for wood

"Sappi is a paper supermarket," says Eugene Van As, managing director of the South African pulp and paper group. Courtaulds' decision to sell its South African and Swazi interests was an opportunity not to be missed, at least for Sappi. With the Rand 1bn (£238m) acquisiton under its belt, Sappi will double the size of its forests and propel itself into a top ten spot in the world pulp and paper export league. Page 23

Indian summer promises a bountiful harvest

A bountiful monsoon has brightened crop prospects for the "kharif" or summer season in India. Last year's drought — the worst in a century — led to a sharp decline in foodgrain production, but officials feel India is now poised for a record breakthrough in agricultural production this year. This would end four years of agricultural stagnation. Page 26

Market Statistics

Base lending rates	27	London share service	33-35
European options exch	27	London traded options	25
FT-A indices	25	Money markets	27
FT-A world indices	29	Traditional options	25
FT int bond service	24	World commodity prices	26
Financial futures	27	World stock mkt indices	28
Foreign exchanges	27	UK dividends announced	29
London recent issues	25	Unit trusts	30-33

Companies in this section

UK		TIP Europe	21
Albion Group	21	Tate & Lyle	21
B&C Holdings	20	Ultramar	20
BOC Group	21	Whitecroft	21
Beales (John)	21	Wholesale Fittings	21
Bill'gate City Sec.	20	Wolstenholme Rink	21
Boalloy	21	Overseas	
Br. Alcan Alum	20	Amro	23
Commercial Union	20	Anglo Am.Pacific	24
Cookson Group	21	Chugai Pharm.	24
Cray Electronics	20	Daikyo	24
Flogas	20	Drexel Burnham	21
GKN	21	Houston Inds	22
General Accident	20	London House	20
Greenland	21	Novo Industri	23
Independent News	21	Pennzoil	22
Marling Industries	21	Poseidon	24
Maxwell Comm	20	Procter & Gamble	22
Mecca Leisure	20	Roger Commun	22
Needwood Holdings	21	Sappi	23
Pleasurama	20	SmithKline Beck	22
Rotork	21	Texaco Canada	22
S&W Berisford	20	Woolworth	22
Smith & Nephew	21	Yamanouchi Ph	24

Chief price changes yesterday

FRANKFURT (Dm)

Falls			
Commerzbank	223.5	−	7.3
Bayer Hypo.	323	−	10
MAN	198.2	−	5.8
Dresdner Bk.	248.2	−	6.6
Deutsche Bk.	472	−	12
Schering	507	−	12.6

NEW YORK ($) at 12.30

Rises			
Farmers Grp.	63	+	5¼
Inaico	29⅝	+	½
Falls			
Pract.& Gam.	72½	−	1⅛
Woolworth	47¾	−	⅞
Dow Chem.	85⅞	−	1⅝
IBM	120½	−	1⅛

PARIS (Frs)

Rises			
Nouvelle Gal.	417	+	6
Dassault	2355	+	35
Falls			
Eurofrance	1530	−	110
Elect. Serge	405	−	28
STE	3225	−	21
Alstom	319.5	−	13.5

TOKYO (Yen)

Rises			
Koyo Iron	652	+	51
Banyu Pharm	1450	+	80
Sumitomo Pre	1590	+	50
Falls			
Jusco	1990	−	190
Nippi Seiko	1040	−	140
Hino Motors	870	−	60

LONDON (Pence)

Rises			
Bowater	434	+	9
Frost Group	250	+	9
GUS A	£10½	+	⅛
Irish Dist.	292	+	18
Sovereign Oil	159	+	14
Speyhawk	315	+	5
Stand. Chart.	516	+	14
Falls			
BSR	87	−	5
Bass	771	−	14
Comm. Union	371	−	7
Cons. Gold	988	−	31
Gen. Accident	919	−	16
GKN	327	−	9
Hammerson A	630	−	15
Inchcape	208	−	7
Lex Service	395	−	10
P. & O. Defd.	578	−	13
Pleasurama	258	−	7
Prudential	162	−	7
Reuters B	476	−	14
Robinson (T.)	407	−	14
Stylo	310	−	10
Tate & Lyle	845	−	19
Yale & Valor	460	−	14

Murdoch to sell Reuters stake

By Roderick Oram in New York and Philip Coggan in London

MR RUPERT MURDOCH, chairman of News Corporation, plans to borrow only half the $3bn he is paying for Triangle Publications, the US magazine group, and will fund the rest from the sale of assets including the company's stake in Reuters, the UK news and financial information group.

The news was well received on Wall Street where analysts had worried that the deal, announced on Sunday, would strain News Corp's balance sheet. However, Reuters "B" shares closed 14p lower at 476p in London.

The cost of servicing additional borrowing of only $1.5bn could be comfortably covered by Triangle's cash flow, which analysts estimate at about $200m a year. Moreover, News Corp would lose little income from the assets Mr Murdoch said are for sale, analysts added.

News Corp confirmed yesterday US reports that Mr Murdoch hopes to raise $200m from the sale of undeveloped property in the UK and Australia and some $200m from the company's Reuters stake. Reuters' complex share structure, however, could make the sale much slower and somewhat less profitable than Mr Murdoch hopes.

News Corp owns some 9.5m high-voting "A" shares in Reuters and 10.3m of the more widely-traded "B" shares. The stakes give him around 6.8 per cent of Reuters' voting equity. But if Mr Murdoch wants to sell the "A" shares, he must obtain the consent of the other "A" shareholders, who largely consist of his UK newspaper proprietor rivals.

After News Corp, the next largest single owners of "A" shares are United Newspapers, Associated Newspapers and the Mirror Group. Mr Murdoch could not sell his "A" stake to just one of them directly, since no single holder can own more than 15 per cent of Reuters equity. However, Mr Murdoch could convert the "A" shares to "B" shares and sell them to outside investors, though this would also require the consent of other "A" shareholders.

Selling the "B" shares might also be slightly complicated since in 1986 News Corp issued $200m of preference shares, convertible into Reuters "B" shares.

Mr Murdoch said he would be unwilling to sell News Corp's 20.5 per cent stake in Pearson, publisher of the Financial Times. "We think it its a very valuable position to have. We would be reluctant to give it up," he told the Wall Street Journal. He gave no further indication of which other assets would be sold to meet his goal of $1.5bn.

As previously announced, News Corp will also use some of the $320m proceeds from last week's sale of a Hollywood office building to finance the Triangle acquisition.

Montedison disposals to cut $5.6bn debt

By John Wyles in Rome

MR RAUL GARDINI's restructuring of Montedison, the Italian chemicals, pharmaceuticals and energy group, may reduce the group's debts from L8,000bn ($5.6bn) to around L1,200bn by the end of next year.

This is the conclusion being drawn by analysts close to the company following recent assets sales and the successful conclusion of negotiations with Eni, the state energy group, on pooling Montedison's basic chemicals interests with those of Enichem. This will create a joint venture with sales of L13,000bn a year, due to be launched on January 1.

In a communication this week to Consob, the Italian stock exchange regulatory agency, Mr Gardini's Ferruzzi group has indicated that the L2,314bn consolidated debt being carried by Montedison SpA, the publicly-quoted operating company, will be completely eliminated by the end of 1989 due to debt transfers to the Enimont joint venture and the sale of Ferruzzi Finanziaria shares to shareholders.

These are to be allocated to Montedison on a 15 to 4 basis on the absorption by Ferruzzi Finanziaria of Montedison's META financial services and retailing subsidiary.

Sources say Montedison's SpA's net worth will be raised by around L1,000bn as a result of capital gains made on the transfers to Enimont of chemicals assets carried on the balance sheet at significantly lower values.

The eventual tax liability on these gains has yet to be clarified but in the meantime, it is thought likely the company will emerge from the exercise with a net cash surplus.

At group level, the L8,000bn of consolidated debt will be reduced by a total of L3,800bn through the Enimont deal, while Montedison SpA's sale of Ferruzzi shares and asset sales will reduce debt by a further L1,800bn.

If, as expected, a buyer is found for Montedison's Ausimont chemicals subsidiary, then a further L1,000bn should be available for debt reduction. Overall, sources close to the company predict that consolidated debt at the end of 1989 should be about L1,200bn.

Nevertheless, Montedison's 40 per cent stake in Enichem leaves it with an unconsolidated share of that company's prospective debt burden of L5,500bn.

Montedison is also committed to participating in a capital increase if Enichem fails to generate sufficient profits to reduce its debt by L2,000bn in its first three years of operations.

Many analysts are increasingly optimistic about Montedison's post-restructuring prospects.

Second senior executive quits SmithKline

By Roderick Oram in New York

SMITHKLINE Beckman, the US pharmaceutical group struggling to stem the market place rout of its leading drug, has lost its second senior executive in two weeks.

Dr Stanley Crooke: Out as president of pharmaceuticals research and development

The Philadelphia company said Dr Stanley Crooke had resigned as president of research and development of its pharmaceutical division, SmithKline and French Laboratories. Mr James Cavanaugh, resigned late last month as head of its US operations.

SmithKline shocked Wall Street in mid-June when it said fast falling sales of Tagamet, an ulcer drug, would result in sharply lower profits. It later announced a 25 per cent cut in second quarter income to $96.7m. In early trading yesterday its shares fell $1¼ to $46¾.

Revenues from Tagamet have plunged as competing drugs have slashed its market share from 77 per cent in 1982 to 38 per cent last year. The erosion has been even more marked in recent months. Last year Tagamet contributed $1.14bn to SmithKline's total revenues of $4.3bn.

Wall Street is deeply disturbed that SmithKline will be unable to introduce new drugs with strong market potential until early in the next decade. While no one executive is blamed for this failure in strategy, the resignations are inevitably being judged by analysts against that background.

SmithKline said some departures were inevitable after it announced in mid-June it would merge its three SmithKline and French divisions — US, international and research and development — in an effort to improve its performance.

Details of the restructuring and the choice of SmithKline and French's new head will be announced later this year. The sole surviving division head is Mr John Chappell who runs international operations.

Mr Henry Wendt, SmithKline's chairman, yesterday praised Dr Crooke, 43, for his contribution

Japan's Johnny Appleseed makes tracks for Europe

Gordon Cramb watches Jafco set out a new venture-capital stall

As Japan's Big Four securities houses link with "boutique" Wall Street banks to secure a place in the shop window of the US mergers and acquisitions business, one smaller Tokyo institution is developing a modest similar exposure – but with a bias towards Europe.

Japan Associated Finance Company (Jafco) aspires to be – in the words of Mr Mitsuo Goto, senior managing director – the country's first real merchant bank. With a distinguished pedigree, and assets of some Y226bn ($1.7bn), it is the national leader in providing venture capital and now aims to broaden its activities internationally.

Jafco, founded in 1973, is an affiliate of Nomura Securities, Japan's and the world's largest stockbroker. But the two stress their operational independence, and when Nomura last month invested $100m in Wasserstein Perella, a six-month-old Wall Street firm, the deal in one sense was just the most striking evidence of how keen the Nomura family of companies is to gain a lead in M&A which extends beyond its own domestic market.

Within Japan, hostile bids are likely to stay beyond the bounds of acceptability for some while. But agreed deals do take place, and there are growing markets in associated areas like new issues. At the same time, with leaders in Japanese manufacturing embarked on a US buying splurge, the financial institutions which serve them at home do not want to see all this business lost to US corporate finance teams.

"Now is the time for Jafco to look outside Japan," says Mr Goto. "We have to look for new businesses in M&A and corporate partnering."

It has already had significant success in attracting foreign institutional involvement for Jafco's mainstream operations in the domestic marketplace. Of its Y91.6bn in venture funds under management, more than half is drawn from abroad. Nearly 37 per cent comes from European investors alone, in large part as a result of a fruitful, if informal, association with Robert Fleming in London.

In addition to outlets in California, New York and Hong Kong, Jafco has a small London office which it will be expanding. It sees Europe, ahead of the 1992 single market, as offering the best prospects both for expansion into more deal-driven sectors and for its venture-related operations.

The European venture capital market, although smaller than its US counterpart, last year raised more in new funds, a total of £2.5bn ($4.2bn). Jafco has made a handful of investments in West Germany and the UK where it has a small stake in Celltech, the biotechnology company which last December attracted some £8m from Japan as part of a £42m share placing.

"Some companies in our portfolio want to come to the UK to expand their marketing base or for a business tie-up with British companies," Mr Goto says. Many emergent Japanese companies would welcome a foreign shareholding of perhaps 10 per cent if the stake cemented a technical or trading partnership.

Venture capital has had probably as bumpy a ride in Japan as anywhere. The business has developed over the past 15 years to a size where the pool of funds invested totals an estimated Y210bn. But two years ago the sector entered what Mr Goto acknowledges as a "disastrous period" in which, ill-fitted to the high yen, "some star investee companies went bankrupt."

Of the 460 companies which have found a place in its portfolio over the years, 27 have failed. Most of the rest remain under its wing, but Jafco has sold its stake in 33 and taken a further 67 public.

It is this last route, of initial public offerings (IPOs), which Jafco is keenest to develop at home. The collapses among small businesses particularly in high technology have tailed off as the country has adjusted economically, but the experience pressed home to financial institutions involved the prudence of widening their own catchment area into larger and more established companies.

Of the 100 or so IPOs expected to reach the Japanese market this year, Jafco is involved in at least a quarter. "Japan has a relatively short supply of IPOs. This is one reason why stock prices are high," argues Mr Goto.

He goes on to make the case that because of the exalted price/earnings multiples the market commands, foreign multinationals could do well to spin off their Japanese operating units in a local flotation. Some, such as Sara Lee, the US foods group, have successfully done so; up to a dozen other foreign companies are said currently to be discussing a similar move.

Each will have raised hundreds of millions of dollars for the foreign parent, but not all have been crowned with glory. Avon Products last year launched a 40 per cent minority in its local offshoot on the Tokyo market with what some, including Jafco, regarded as imprudent haste, and the shares promptly collapsed as stags sold out.

The apparent problem was an absence of other core shareholdings – prior placements with institutions or supplier or customer companies – which would mitigate against any change of sentiment in Tokyo's highly speculative, trend-propelled equity market.

So when Jafco is asked what bearing its experience with funding small-scale start-ups can have on the needs of global household names, Mr Goto can observe that local conditions are of paramount importance and that everyone has something to learn.

Finland's Nesté raises stake in small UK oil group to 14.9%

By Steven Butler in London and Olli Virtanen in Helsinki

NESTE, the Finnish state oil company, yesterday raised its stake in Sovereign Oil & Gas, the small UK independent oil company, to 14.9 per cent. The move raised speculation about a possible bid for Sovereign.

Sovereign shares yesterday jumped 24p to 169p, bringing its market capitalisation to £93.8m ($158m).

Nesté, which has few oil production assets of its own, has told Sovereign that the stake is a "long-term investment."

The two companies have an established commercial relationship. Nesté has agreed to buy the entire output of Sovereign's 43m barrel Emerald field in the North Sea, which is awaiting development approval.

Mr David Biggins, Sovereign managing director, said he was not entirely clear about Nesté's motives, but added: "I do not see this as an aggressive move. I am not unhappy with the present level of interest."

He said he was aware that Nesté had contacted Sovereign shareholders about a possible share purchase. Nesté bought a 9.2 per cent stake from Hambros Bank at an undisclosed price, and purchased the balance in the open market to supplement its original stake of less than 5 per cent.

Oil analysts were puzzled by the move and said it made little strategic sense for Nesté to buy and hold a stake of this size. Takeover Panel rules require a predator to pause at 14.9 per cent before building a larger stake.

Sovereign could be a starting point toward building on Nesté's small presence in the North Sea, although Sovereign shares are tightly held among a small group of shareholders and this could complicate any takeover.

Sovereign is awaiting Treasury approval for a concessionary financing package for development of the Emerald field.

The decision is sensitive and would set a precedent since Government aid is being sought for conversion of a semi-submersible rig to a floating oil production facility. Normally such support is restricted to new shipbuilding.

Any approval would eventually have to be vetted by the European Commission.

Nesté, with a 1987 turnover of FM28.1bn ($7.2bn), has expanded rapidly during this decade and now has interests in the oil business from exploration and production to refining, trading and retailing.

In the early 1980s Nesté entered the oil exploration business by gradually buying minority interests in the US, the Middle East, the North Sea and the Irish Sea. The investments are immaterial as sources of revenue.

INTERNATIONAL COMPANIES AND FINANCE

Procter & Gamble rallies on international earnings

By Deborah Hargreaves in New York

PROCTER & GAMBLE, the leading US soap and detergent producer, yesterday posted a sharp rise in its fourth-quarter and full fiscal year earnings from the previous year's levels, which were depressed by a hefty tax charge for restructuring of its worldwide operations.

The Cincinnati-based group reported a net profit of $140m or 82 cents a share in the quarter ended June 30. This compares with a loss of $324m in the previous year's period, or a net gain of $135m or 77 cents a share when the restructuring charge is excluded.

Fourth-quarter sales rose 19 per cent to $4.97bn from $4.18bn.

In the full year, P&G profits rose 30 per cent to $1.02bn or $5.96, from the previous year's pre-charge level of $786m or $4.59. Sales for the year jumped to $19.34bn from $17bn.

Mr John Smale, chairman, said: "The significant profit recovery is in line with our expectations.

"Broadly based volume growth, particularly in international operations, and the lower Federal statutory tax rate in the US were major factors contributing to the strong improvement in earnings."

The company's restructuring plan has aimed at streamlining its pharmaceuticals operation and modernising its detergent manufacturing facilities.

The introduction of a new heavy duty liquid detergent has boosted sales internationally, along with a strong push for its Pampers brand of disposable nappies in Europe.

P&G's earnings from international operations jumped 37 per cent to $305m in the full year, from the previous year's $222m. A third of the increase was due to exchange rate changes.

Operating in a mature market, P&G has tried to position itself for growth through acquisition and joint ventures, particularly in the international market.

The company is pushing growth in Japan and recently signed a joint venture agreement to sell personal care products and dishwashing detergent in China.

FW Woolworth climbs 16%

By Our New York Staff

F.W. WOOLWORTH, the big US retailer that has revitalised its operations by adding a string of specialist stores, yesterday reported a 16 per cent climb in second-quarter income.

Earnings rose to $43m or 66 cents a share, from $37m or 56 cents in the same period last year. Sales for the quarter were up 13 per cent at $1.84bn, from $1.63bn.

Woolworth's profit for the first half of the year jumped 18 per cent to $78m or $1.22 from $66m or 99 cents.

In the past five years, Woolworth has moved aggressively into the specialist retailing sector, where higher profits have boosted the company's overall performance.

Sales at specialist stores rose 22 per cent in this year's first half, outstripping a 7 per cent increase in general merchandise revenues.

Woolworth's overseas operations, which include department stores in Canada and West Germany and a specialist retailer in Australia, saw a 13 per cent rise in sales, expressed in US dollars.

Woolworth has been only mildly affected by this year's decline in retailing.

Its diversified chain of specialist operations has helped to offset sluggishness in women's apparel and shoe sales.

Canadian group sells cable TV interest

By Our Montreal and New York Staff

ROGERS Communications, a big Canadian media group, has pulled out of the US cable television market in a move seen as part of a long-term shake-up of the US industry.

The Toronto-based company has sold its US cable TV interests for US$1.26bn to Houston Industries, a Texas-based utility that began diversifying into cable TV early last year.

The sale represents a significant retreat for Rogers, which once planned to become a leader in US cable TV.

It warned shareholders in the spring that it wanted to leave the US cable market and proceeded to hire Morgan Stanley of New York to arrange a tender procedure.

Rogers, which will use the sale's proceeds on acquisitions and to reduce debt of C$1.24bn (US$1.03bn) at May 31, will receive about $2,400 for each of its 525,000 US subscribers located in Texas, Orange County, California, Portland, Oregon and Minneapolis.

Cable TV companies are falling over each other to build their empires in the $12bn industry.

Fierce competition has pushed up the prices purchasers are willing to pay as the industry's financial muscle has strengthened.

Houston Industries, which beat at least six other companies in the bidding for the Rogers unit, has significant cable interests through its 50 per cent ownership of Paragon Communications, which serves more than 670,000 subscribers.

Paragon was acquired by a joint venture between Houston and Time Inc, the US publishing group, in January 1986.

Houston said then that cable fitted in well with its main business as an electricity supplier, as cable wires could be strung along electricity poles and cable TV's management and capital needs were similar to those of a utility company.

Maclaren's links with Interpublic subsidiary

By Robert Gibbens in Montreal

MACLAREN'S ADVERTISING, Canada's largest independent advertising agency, has been sold to Lintas: Worldwide, part of Interpublic Group of Companies, the US conglomerate.

Maclaren's, based in Toronto and well known for its ties with the Federal Liberal Party, is operated by Intermark, a private company owned by 10 senior employees.

It will be merged with Lintas: Canada and renamed Maclaren:Lintas.

Mr Tony Miller, Maclaren's Australian-born president, said that with annual media billings of C$220m (US$181.8$m) the merged unit would be well ahead of Ronalds Reynolds, Toronto in the Canadian advertising agency pecking order.

Terms of the deal were not revealed, but Mr Miller said it was a friendly merger that would remove any overlap in the international field. The two companies shared clients such as Unilever and General Motors and these would now be serviced by one single agency across North America.

The largest surviving Canadian independents are Saffer Advertising, with annual billings of C$125m, and Vickers and Benson with billings of C$122m.

Combustion to shed assets

By Our New York Staff

COMBUSTION Engineering is negotiating the sale of assets worth about $285m as another stage in its efforts to focus on the manufacture of power generation and process control equipment.

Under a reorganisation begun in late 1985, the Connecticut-based company has been buying companies in process control while selling subsidiaries in sectors such as oil and gas production equipment.

Despite the North American and European decline in power station construction, the company's sales rose 20 per cent in the first half of this year.

Rich pickings in Texaco disposal

Robert Gibbens on the sale of a lucrative Canadian oil subsidiary

Never has the sale of a large Canadian resources company generated so much speculation as that of Texaco Canada.

A string of companies are said to be interested in the 78 per cent stake which Texaco, the US parent, is to sell. Potential bidders are mulling over a company which has a 10.4 per cent share of the national petroleum products market and 1,800 service stations.

In the first half of the year, Texaco Canada earned C$151m (US$124.7m) or $3.25 a share on revenues of $1.8bn. As a further sweetener, it has C$800m cash and is virtually debt free.

The auction of the Canadian interest, announced last week, follows a string of asset sales, joint ventures and financial rejigs by Texaco. In June it sold Deutsche Texaco, its West German downstream subsidiary, to RWE, the West German electrical utility, for $1.2bn. It then raised more than $800m from the sale to Saudi Arabia of a half share in three refineries on the Atlantic coast and the Gulf of Mexico and access to more than 11,000 Texaco petrol stations.

Texaco, which is reorganising after years of corporate upheaval, is trying to cover the costs of its Pennzoil legal fight and its successful defence in a bitter proxy battle with Mr Carl Icahn, the doyen of the US corporate raiders.

Many large Canadian energy companies are interested in the Texaco Canada block, which has a market value of more than C$8bn, but it is possible that bids may emerge from Saudi Arabia, Kuwait or other foreign interests.

Texaco has already discussed a deal with at least six groups since its June annual meeting, and last week's confirmation of the auction has attracted more potential buyers. The Canadian groups most often mentioned include Gulf Canada Resources, Husky Oil and PanCanadian Petroluem.

Gulf Canada is controlled by the Reichmann family of Toronto. The company says it is not actively pursuing Texaco Canada, although last spring it said it was ready to pay C$2.3bn had Mr Icahn gained control of the parent.

Both Husky Oil, controlled by Mr Li Ka-Shing, the Hong Kong billionaire, and Nova Corporation of Calgary, and Canadian Occidental Petroleum say they are interested. Imperial Oil, Shell Canada and Petro-Canada have also been mentioned, but are unlikely suitors because of the concentration of market share that would be involved.

Mr Marcel Masse, Canada's Energy Minister, said the Government would not stop a foreign company or a foreign-controlled Canadian company from taking over the unit, provided the 22 per cent stake already in domestic hands was retained as a minimum.

Federal policy does not prevent the sale of an existing foreign-controlled energy company to another such company. But Mr Masse has hinted that the federal Government, possibly facing an election this autumn, could provide a tax incentive to encourage a domestic buyer.

Investment Canada, the federal agency supervising large foreign takeovers, must vet any sale to a foreign company to ensure "net benefit" to Canada. This would involve commitments for investment, exploration and employment and for Canadian directors and top managers.

The Government considers Husky Oil to be a Canadian company. It is 43 per cent owned by Nova, 43 per cent by Mr Li and 5 per cent by Mr Li's son Victor, a Canadian citizen based in Vancouver.

The Government says the upstream industry is now 45 per cent domestically controlled. Its target is to raise this to 50 per cent minimum.

Some analysts speculate that Chevron Canada and Mobil Canada, two of the country's most successful explorers over the past 25 years, might be interested in Texaco Canada by offering to merge with it, later distributing shares to the Canadian public to meet federal guidelines.

Mr Wilfred Gobert, oil analyst with Peters and Co, Calgary, believes, like others, that Husky is on the inside track. It made an initial approach for Texaco Canada late last year and had the most detailed knowledge of its business.

But analysts do not rule out PanCanadian Petroleum, the energy arm of Canadian Pacific, which is cash rich and nearing the end of a big restructuring. PanCanadian is a leading gas producer.

With estimates putting Texaco Canada's final price at more than C$6bn, Mr Gobert says any deal would compare with Amoco Petroleum Canada's C$5.5bn bid for Dome Petroleum, potentially the country's largest takeover.

For that, Texaco Canada's buyer will gain a company with stated proven oil reserves of 380m barrels and nearly 2bn cu ft of gas, two refineries in eastern Canada and a national petroleum products distribution system.

CHARGES DISTORT PENNZOIL RESULT

PENNZOIL has used its $3bn settlement from Texaco to take heavy second-quarter charges for writing down its assets, Roderick Oram reports from New York.

Net income before extraordinary gains and special charges was $36m or 80 cents a share in the quarter, against $17.8m or 33 cents a year earlier. Revenues were $548m compared with $443m.

However, a strategic review by management resulted in after-tax non-cash charges of $303m or $7.38 a share in the three months. These included a $242m charge for the impairment and abandoning of domestic and foreign oil and gas properties and a $72m charge for the writedown of a Shreveport refinery.

The charges were more than offset by an extraordinary gain of $1.7bn arising from the Texaco case.

After extraordinary gains and charges, Pennzoil's second-quarter net profits were $1.39bn or $34.68 a share, against net income of $7.8m or 9 cents a year earlier.

INTERNATIONAL COMPANIES AND FINANCE

Sappi gets to core of pulp making

Jim Jones looks at a burgeoning South African paper producer

The opportunity presented by Courtaulds' decision to withdraw from the world wood pulp industry was too good to miss. That is the view of Mr Eugene van As, managing director of Sappi, the buyer of Courtaulds' South African and Swazi interests.

Though the deal, announced last month, makes eminent financial sense for Courtaulds, it is also strategically important for Sappi. The R1bn ($236m) acquisition, which is expected to lift Sappi's annual sales from R1.5bn to R2.5bn, will pitch the company into 10th spot in the world's pulp and paper exporting league. And size, says Mr Van As, is crucial for cost efficiency.

"Sappi is a paper supermarket. Unlike the American paper makers who can specialise inside their large home market, we make a wide range of products. It's inefficient if different types of paper have to be made in small runs on the same machine, but expansion has allowed Sappi to specialise by mill and by machine.

"For example, when we opened the Ngodwana pulp and paper mill in the eastern Transvaal three years ago our Enstra mill at Springs near Johannesburg could specialise in fine paper making."

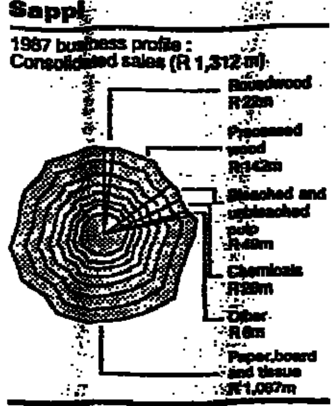
During the first six months of this year the company generated pre-tax profits of R158m from its 147,000 hectares of plantations and six pulp and paper mills. The deal with Courtaulds gives it ownership of Saaicor, the world's largest dissolving pulp mill on the Natal coast, and 80 per cent of the Usutu kraft pulp mill in Swaziland. The deal will also double the size of its forests with 82,000 hectares of plantations in Natal and a further 61,000 hectares in Swaziland.

Last year Sappi made 750,000 tonnes of pulp, 563,000 tonnes of kraft packaging paper, 282,000 tonnes of fine paper and 120,000 tonnes of newsprint. Saaicor produces 440,000 tonnes of dissolving pulp, representing about 11 per cent of the world's requirements for viscose, rayon and cellophane manufacture. Usutu provides about 15 per cent of the world's kraft softwood pulp exports.

Increasing the size of operations is fundamental to Sappi's strategy. Sappi is now able to produce 47 per cent of its timber needs, against 35 per cent before the Courtaulds' deal which will also permit a significant rationalisation of the transport operations over the next decade. In recent years the terms of trade have tended to slip away from the older timber producers of the northern hemisphere. Pines, which take up to 50 years to reach maturity in northern latitudes, can be cut within 15 years of planting in South Africa.

Over the next 10 years Sappi will, where necessary, replant its forests with species appropriate to the needs of the nearest mill, helping to contain transport costs. At present, Mr Van As says his company's production costs are among the world's lowest and rationalisation is designed to keep them there.

In the past Sappi has tended to sell between 15 and 25 per cent of its production abroad, with exports declining as domestic demand increases. The latest acquisition will lift the proportion of output going abroad to about 40 per cent. "Our worst enemies are our competitors," says Mr Van As.



"If we take too great a share of their market they could play the sanctions card, so we are happy to be a comparatively small seller in many markets." South Africa's coal producers have already learned that hard lesson.

The deal with Courtaulds will provide new export markets, the biggest of which is a 10-year contract to supply pulp to Courtaulds' rayon mills, particularly the US mill in Mobile, Alabama, specifically designed to process Saaicor pulp. In addition Speciality Pulp Trading (SPT), Courtaulds' former marketing subsidiary, will be taking over some of Sappi's worldwide sales and opening the door to five new countries.

It may seem paradoxical to count on pulp sales when rayon and cellophane markets are declining. But, as Mr Van As sees it, everything boils down to costs. High-cost pulp producers will be the first to close if the viscose market falls. Saaicor is the world's lowest-cost producer and can price its product to maintain operations.

South Africa's paper market is too small to permit a high degree of product specialisation. On average the country's 32m people each use 51 kilograms of paper a year against 270 kg in the US and 170 kg in Britain and West Germany. However, Sappi is switching its marketing focus, moving away from mature white population markets and paying increasing attention to black population markets which are potentially very large. In this context, Sappi's plans to expand into the production of fine paper for school exercise and text books, a market with strong growth prospects.

Water remains the principal constraint on building pulp mills in South Africa. The best timber growing areas are the high rainfall zones of the eastern Transvaal, Swaziland and Natal. But the rivers there would be classified as little more than creeks in North America and cannot bear effluent, in particular the chlorides used for pulp bleaching. Some years ago Sappi patented a chloride-free oxygen bleaching process, now licensed worldwide. That has helped reduce effluent outflow at the Ngodwana pulp mill to between one tenth and one sixth of that from a more conventional mill.

Nevertheless, pollution and the absolute shortages of water are the Government's principal considerations when decisions are taken on the siting of new pulp mills. While the coast is the best site for a pulp mill — dumping chloride in the sea is acceptable — coastal mills are generally far from the trees. The acquisition of Usutu, in the centre of its plantations, has helped Sappi over that hurdle.

Sterling Drug chief to stand down

EASTMAN KODAK, the US photographic products group, said Mr John Pietruski would resign as chairman and chief executive officer of its Sterling Drug group and executive vice president of Kodak on September 1, Reuter reports.

Mr Pietruski headed Sterling Drug when it was acquired earlier this year by Kodak for $5.1bn, thwarting a hostile takeover bid by F. Hoffmann-La Roche of Switzerland. No reason for his resignation was given.

Kodak said his successor would be announced today.

Dutch bank reports 25% jump in profits

By Laura Raun in Amsterdam

AMSTERDAM-ROTTERDAM Bank, the Netherlands' second biggest bank, yesterday reported a 25 per cent jump in first-half profits, due to a good performance in its arbitrage activities and lending business.

Net income increased to Fl 273m ($127m) in the first six months from Fl 218m a year earlier as income rose more than costs. Earnings per share climbed 19 per cent to Fl 5.31 from Fl 4.46, including the new shares issued to finance the seed alliance with Générale Bank of Belgium.

The interim dividend was raised by 15 per cent to Fl 2.30 per share as a result of the better than expected performance. But Mr Roelof Nelissen, chairman, yesterday maintained a cautious outlook for the year, saying only that results were expected to be "satisfactory."

Total income climbed nearly 7 per cent to Fl 1.99bn in the first six months from Fl 1.87 in the year-earlier period, boosted by the bank's securities trading for its own account and healthy lending at home and abroad. Costs edged up a more modest 5 per cent with personnel expenses increasing more slowly than in the past.

Provisions for bad loans were trimmed to Fl 300m from Fl 350m in the first half of 1987 although reserves for some debtor countries were again lifted. The balance sheet total increased by 13 per cent to Fl 160bn at June 30 compared with the end of 1987.

Mr Nelissen said the alliance with Belgium's Générale Bank, which was announced in February, had benefited Amro in intangible ways such as enhancing prestige and goodwill. Access to the capital markets also had been eased by the alliance in which the two banks exchanged capital with the aim of eventually merging.

Novo hits back with 61% leap

By Hilary Barnes in Copenhagen

NOVO INDUSTRI, the Danish insulin and industrial enzymes specialist which has suffered an earnings dip over the past two years, yesterday reported a strong rebound in 1988 first-half profits.

It reported a 61 per cent increase in pre-tax earnings to DKr536m ($74m) with sales up by 12 per cent to DKr2.66bn. Net earnings increased from DKr216m to DKr375m and earnings per share from DKr8.49 to DKr14.71.

Second-quarter pre-tax earnings more than doubled, from DKr143m to DKr303m, and sales rose by 19 per cent to DKr1.38bn. But Mr Mads Ovlisen, chief executive, warned against "multiplying the first half to obtain an annual result."

First-half sales were larger than expected, owing to an inventory build-up in the US prior to the launch in July of Novo's second-generation insulin injection pen, and substantial insulin tender sales in East Europe and Asian markets.

"We have no real basis yet to think we have improved our market share worldwide," Mr Ovlisen said. Continued momentum would depend on increasing insulin market shares, expanded sales of a new fat-splitting detergent enzyme which was launched last year, and raw material costs, some of which have shown signs of rising, the company said.

Pharmaceutical sales were up by 19 per cent in the first-half to DKr1.48bn and bio-industrial group sales by 17 per cent to DKr917m.

Cost-curbing measures probably contributed to the result as well, said Mr Ovlisen, who noted that group employment was down from 5,950 a year ago to 5,800.

Interest rate fears inhibit trading

By Dominique Jackson

RENEWED FEARS of further rises in interest rates worldwide in the wake of official rate hikes in the US and UK earlier this week made for a day of thin and nervous business in the Eurobond market yesterday. Prices in most sectors drifted narrowly lower, although a handful of new issues emerged in the non-dollar sectors.

The Eurodollar sector showed an easier tone but dealers said volume was low as they waited in limbo between Tuesday's Treasury bond sell-off in New York immediately following the rise in the US discount rate and ahead of the second stage of the refunding auctions.

Fears that the Japanese authorities would follow the US with a key rate rise triggered selling in the Japanese government bond market in Tokyo which was reflected in lower levels in both JGBs and Euroyen in London yesterday.

Sterling denominated bonds received an initial boost on the Bank of England's news that the latest auction of short-dated gilt-edged stock had been three times over-subscribed, but attention soon reverted to the bearish outlook for inflation and interest rates and prices ended the day with net losses.

County Natwest led its first new deal for some time, a A$50m three-year issue for NatWest Australia Bank at 13¼ per cent and 101⅛. The deal forms part of the ongoing funding plans for NatWest's extensive Australian operations and was linked to a swap. The deal was launched to take advantage of an attractive arbitrage opportunity which arose as a result of weakness in the Far Eastern markets early on in the trading day. The top quality of the borrower and the attractive coupon was expected to ensure a high degree of interest from the sector's traditional retail investor base and the issue was bid at a discount of 1⅞, comfortably within its total fees.

Two more New Zealand dollar deals emerged yesterday, bringing this week's total so far to three. Westpac Banking brought a NZ$60m deal for itself, a three-year issue at 14¼ per cent and 101½ which, like the rest of Westpac's outstanding Eurobond paper, is subordinated debt. The co-management group included several Continental banks with strong retail networks and the deal was bid at a discount equal to its total fees of 1⅞.

Société Générale led a NZ$60m deal for its own financing unit, Sogen Finance Luxembourg. The coupon on the swap-related three-year deal was 14 per cent and the issue price 101⅞. Demand for Canadian dollars continues to be

INTERNATIONAL BONDS

strong and in West Germany, Berliner Bank led a C$50m deal, also for its own financing unit. The coupon on the five-year deal was 10¼ per cent and the issue price 101⅞.

Bayerische Vereinsbank brought a favoured retail name to the Euromark sector with a DM50m five-year issue at 5¾ per cent and par for McDonald's. The continued popularity of the borrower was illustrated by the high level of demand seen for the paper and the deal ended the day comfortably within its total 2 per cent fees, bid at a discount of 1.10.

Three targetted deals also emerged yesterday, none of which were expected to trade widely as they had all been extensively pre-placed in Japan.

Mitsui Finance International brought a A$200m three-year floating-rate note for Mitsui Finance Australia. The issue is priced at 100.10 and the coupon for the first six months will be the six-month Australian bank bill rate less 25 basis points. Thereafter interest will be paid at a level equal to the three-month bank bill rate less 15 basis points, paid quarterly in arrears.

NKK Europe led a similarly structured issue for Skopbank. The coupon on the A$45m floating-rate note will be 15.5 per cent below twice the three-month bank bill rate and the issue price will be fixed tomorrow. NKK is book-runner on the deal while Manufacturers Hanover is co-lead manager.

Yamaichi International led a Y10bn four-year dual currency yen-dollar deal at 7 per cent and 101⅝ for Mitsubishi. The lead manager is also expected to bring a $300m equity warrant deal shortly for Sekisui House.

Bank Leumi lifts net profits 30%

By Andrew Whitley in Jerusalem

BANK LEUMI le-Israel, the leading Israeli bank, has reported a near 30 per cent increase in net profits to $59.5m for the first half of 1988, compared with the same period last year.

The profits performance defies forecasts by senior bank executives at the time of the presentation of the 1987 results when the bank said it looked forward to a stabilisation in profitability this year.

Measured by loans or deposits, Bank Leumi shows little change over 1987. This reflects its recent emphasis, in line with its Israeli competitors, on improving the return on equity rather than going for growth.

● The sale abroad of Israel bonds, long-term government paper, totalled $331m in the first seven months of 1988, little changed on the same period last year, according to Mr Yehuda Halevi, president of the Bonds Organization

Japan expands in Queensland

By Our Sydney Correspondent

JAPAN'S growing investment in Australia's expanding tourism industry was further underlined yesterday with news that the Daikyo group will move to full ownership of the Cairns International Hilton Hotel on the north coast of Queensland.

Daikyo is to buy the 50 per cent of the hotel it does not already own from Pacific Assets, the property group. It will pay A$40m (US$32m), the same amount for which it purchased its present holding last November.

The company is one of several Japanese groups which now dominate the tourist hotels further south, on Queensland's Gold Coast. Its own involvement there is with the Jupiters Trust, which owns the Conrad International Hotel and casino complex.

Daikyo's latest move comes despite recent signs of anti-Japanese sentiment among Queensland residents. In May an estimated 1,300 people at a heated meeting in Surfer's Paradise, south of Brisbane, protested loudly at the "Japanisation" of the Gold Coast.

The meeting, and the subsequent publicity given to the issue, shocked Japanese investors and prompted the state government to plan a register of foreign land ownership in Queensland. At the time Daikyo was reported to be awaiting developments before going ahead with plans for two new resort projects in Cairns and Surfer's Paradise.

The Japanese investment push in Australia is not in fact confined to tourist-related projects, or even to property, although these have enjoyed high visibility.

In recent months, for example, Idemitsu Kosan has invested in coal mines and offshore oil projects. Mitsubishi Mining and Cement has taken a share in a steaming coal exporter and Kyodo Shiryo has formed a joint venture with an Australian beef exporter.

The pace, moreover, has picked up rapidly. According to the Westpac Bank, Japan is now the clear leader among countries investing in Australia, overtaking both the UK and the US.

In the six months to December 1987, the bank said in a report last month, Japan invested A$820m in Australian projects, almost half of the total direct foreign investment in Australia. By comparison, in the previous two years the Japanese contribution had been less than a quarter of the total.

According to Japanese figures, only one-third of direct Japanese investment in Australia was in real estate during the year to March 1988.

Of the rest, 21 per cent went into manufacturing and 17 per cent into finance and insurance – more than double the investment in these sectors in the previous year.

Japan's expansion into Australia is not unique, however, as the countries of Europe, North America and South-east Asia all testify. It has been driven principally by the need to reduce its chronic payments surplus.

Poseidon moves back into gold production

By Chris Sherwell in Sydney

POSEIDON, once synonymous with Australia's 1960s nickel boom but now a gold company, re-established its identity as a red-blooded mining group yesterday when it gained control of Anglo American Pacific, the 53.8 per cent-owned subsidiary of the South African Anglo American group.

Poseidon had become known as a "cash box" in recent months since it sold its main asset, an interest in Kalgoorlie Lake View, to Mr Alan Bond's Gold Mines of Kalgoorlie – a move which helped Mr Bond advance his dream of a "Big Pit" operation in Australia's most famous mining town.

That deal gave it A$200m (US$160m) in cash, a A$25m note and 214,000 oz of gold delivered over six years. But it left the company without a gold mining operation.

To help remedy this, the man behind Poseidon, Mr Robert Champion de Crespigny, a Western Australian entrepreneur who controls the group through his Normandy Resources company, launched an all-share bid for Anglo American Pacific which valued it at A$67m.

Anglo is involved in a joint venture with the Western Australian Government's Goldcorp group to recover up to 530,000 oz from the retreatment of gold tailings at Kalgoorlie. Poseidon saw this as an opportunity to replace the production it had sold to Mr Bond.

Its offer of two Poseidon shares for every nine fully paid Anglo shares was insufficient for Anglo, however, which sought a further two transferable options for every 27 partly-paid Anglo shares.

Earlier this month Poseidon agreed to sweeten its offer, and yesterday announced that Anglo American had accepted.

This has given it 62 per cent control of Anglo, and Poseidon is now hoping its stake will reach 100 per cent.

Because it remains cash rich, Poseidon's next move is being watched closely. The group is interested in Paringa Mining following the announcement earlier this week that the Australian Gas Light Company would sell its 53 per cent holding. With this will go control of Mt Flinders mines.

The open question concerns the future of Normandy Resources. It has 21 per cent of Poseidon, and options to go to 31 per cent before March 1990, and is currently the subject of a A$1.50 per share takeover bid by National Mutual Life, the big insurance company.

This bid is not expected to succeed, since Mr de Crespigny and his friends control 60 per cent of the company. Mr de Crespigny himself has a direct holding of 20 per cent. One suggestion, that Poseidon might bid for Normandy, was ruled out yesterday by Normandy.

IBJ to head Luxembourg joint venture

By William Dullforce in Geneva

INDUSTRIAL BANK of Japan, the world's sixth largest bank with assets of some $220bn, has established an investment company in Luxembourg together with Pictet + Cie, a Geneva private bank, and Scudder, Stevens and Clark, a US securities investment company.

IBJ and Pictet (Japan) were among the first 25 Japanese banks licensed in July 1987 to undertake portfolio management in competition with the Japanese securities houses.

The Luxembourg company will manage funds for Japanese institutional clients on a worldwide basis, Mr Ivan Pictet said.

Pictet will be responsible for placements in Europe with Scudder, Stevens and Clark managing investments in the US. Pictet will provide a global custody service.

IBJ Capital Management, the subsidiary established last year when IBJ received its portfolio managing licence, will hold 60 per cent of the Luxembourg company, Pictet and Scudder each taking 20 per cent.

Its major clients are expected to be Japanese insurance companies and Tokkin funds which can reap tax advantages from investing through a Luxembourg-based manager.

Pictet and Scudder have set up a similar partnership with IBJ Capital Management in Tokyo to serve clients who need to keep their assets in Japan.

Coles plans closures

Coles Myer, the Australian retailer, plans to close its grocery retail outlets from December to save costs.

Moody's mortgage issue rating sparks controversy

By Stephen Fidler, Euromarkets Correspondent

MOODY'S INVESTORS Service, the US ratings agency, unleashed controversy yesterday in the £3bn UK mortgage-backed securities market when it assigned one of the lowest ratings yet given to an issue.

The agency gave an A1 rating to £175m of floating-rate notes issued in February by Mortgage Funding Corporation, a special mortgage company managed by Kleinwort Benson, the merchant bank.

The issue, lead managed by Credit Suisse First Boston, consists of a pool of mortgages originated by Allied Dunbar, the life assurance company.

Because of the complicated structure of these securities, investors depend heavily on credit ratings and most of them are structured to win a rating of at least AA, which is the rating allocated to the MFC issue by Moody's main competitor, Standard & Poor's.

Moody's A1 rating, suggesting a security of upper-medium grade, implies a significantly lower level of investor comfort than an AA rating. Moody's was not, however, requested to rate the securities, and is accused of using unfair tactics to muscle in on the UK mortgage rating market, where S&P has a significant lead.

The suggestion is that by publishing "shadow" ratings which can have a damaging effect on investor confidence, the agency is trying to force mortgage companies to pay for a Moody's rating, which costs typically about £50,000.

Moody's says it has no problem with the quality of the underlying mortgages, or with the pool insurance from Eagle Star, and the cash reserve, but is concerned about the structure of the MFC deal.

It ranked five points of concern, including the possibility of trading losses from MFC's ability to buy and resell the notes. Some followers of the mortgage-backed market described the points as "pettifogging", one pointing out that most existing UK mortgage-backed securities fall down on most of the five points.

Mr Mark Luboff, general manager of MFC, said he was "surprised" by the Moody's move, and contrasted what he said was S&P's exhaustive examination of the transaction with Moody's assessment.

Greece approves SE reforms

By Our Financial Staff

A BILL effectively deregulating the Athens share market, and allowing for the formation of a parallel market, has been passed in parliament. The bill becomes effective on publication in the government gazette, which can take up to a month.

The reforms of the stock exchange, the first major changes to Greek securities markets since 1928, coincide with Greece's rotating presidency of the European Community which the Athens Government assumed last month.

Under the reforms, outside companies will be free to operate on the stock exchange, breaking the monopoly held by the 32 individual brokers. The parallel market will allow smaller companies access to alternative forms of funding and resources.

Local analysts said they expected to see mergers between the individual brokers and alliances with banks. Banks which previously channelled orders to brokers are expected to set up companies and operate on their own accounts.

A central depository will be set up and supervision of the stock exchange will shift to the Economy Ministry from the Commerce Ministry. Plans are being made to extend the exchange's trading hours.

The Athens stock market has a total capitalisation of around $3.75bn and 108 companies are listed. The three largest listings, all banks, account for roughly a quarter of the total value of the stock market.

Having fallen sharply in the wake of last October's world stock markets crash, Greek share prices have stabilised this year, although trading volume is still lower than it was during the opening six months of 1987.

Price cuts hit Chugai Pharmaceutical

By Stefan Wagstyl in Tokyo

CHUGAI Pharmaceutical, one of Japan's leading drugs companies, yesterday reported a 5 per cent fall in interim pre-tax profits to Y9bn ($66.8m), mainly because of government-imposed price cuts.

Like most other Japanese drugs companies, Chugai has been hit by government efforts to reduce the public health service's drugs bill.

Sales in the six months to June were up 7 per cent at Y63bn. For the full year Chugai is forecasting flat pre-tax profits of Y19bn on slightly increased sales of Y127bn.

Yamanouchi Pharmaceutical, one of the more internationally-minded of Japanese drugs companies with a tie-up with Eli Lilly of the US, reported sharply increased interim profits of Y26.2bn (Y21bn) on sales of Y88bn (Y79bn).

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on August 10

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	92⅞	93⅛	-0⅛	-1¼	9.87
All Nippon Air 9⅞ 97	100	†93¼	93⅝	-0½	-1⅞	10.55
Amer. Brands 8⅞ 92	150	†95⅞	96⅛	-0½	-1⅞	10.11
A/S Eksportfinans 7½ 93	100	†90⅞	91⅛	-0½	-1⅞	9.82
A/S Eksportfinans 7¼ 92	150	†92⅞	93⅛	-0½	-1⅞	9.66

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5½ 92	55	100⅛	100⅝	-0½	-0⅞	5.27
Belgium 4⅞ 94	45	95½	96⅛	-0⅛	-0⅞	5.47
Canada 4⅞ 92	80	97	97¼	-0⅛	-0⅛	5.21
Elec. De France 5⅛ 94	20	98⅛	98⅞	-0½	-0⅛	5.43
Ireland 5⅛ 93	30	99⅞	99⅞	-0⅛	-0½	5.21

INTL. COMPANIES AND FINANCE

The Maruti 800 is a novelty to Indians long used to obsolete cars

Maruti moves into the fast lane with Suzuki

K. K. Sharma on an Indian car maker's leap into 80s technology

When Maruti Udyog, the Indian government-owned automotive company, launched its 800cc car five years ago, with design and technology provided by Suzuki Motor of Japan, the rapid acceleration of the model came as a novelty to Indians who had long been used to obsolete cars based on designs imported three decades before.

The acceleration of the popular and fuel-efficient car may become something of a symbol of the company, which has set a strong pace in every aspect of its functioning. The Maruti 800 is now India's largest-selling car. The company has introduced local sourcing for its production capacity, has declared its first dividend and is now diversifying.

The performance of the vehicle is a matter of pride for Maruti Udyog's Indian management and its Japanese partner.

Not only are sales and profits for Maruti's cars, vans and all-terrain vehicles outpacing those of their rivals – most of which have also modernised with Japanese collaboration – but they have helped to make the company one of the few in the public sector making profits and self-reliant.

The company's progress is reflected in the maiden dividend of 5 per cent declared last month for 1987-88, the result of profits of Rs2.6bn ($186m) which were more than 150 per cent higher than in the previous year.

Such is Suzuki's faith in the company that Mr Osamu Suzuki, its president, declared at Maruti's annual meeting that it would not repatriate its Rs10m share of the dividend. Instead, this would be reinvested. The decision follows an agreement by Suzuki to increase its equity stake in Maruti from 25 to 40 per cent.

Mr R.C. Bhargava, the Indian company's managing director, said: "This unique decision reflects Suzuki's commitment to the growth of Maruti."

The higher capital base will enable Maruti to introduce a 1,000cc saloon in 1990. This will involve additional capital investment of Rs970m which will be raised partly through a $50m borrowing on the world capital markets later this year.

Although Suzuki is involved in the design, the new car will be almost entirely Indian-made right from the start. Some 85 per cent of the components will be made either by Maruti Udyog or its ancillaries.

This is possible because many components for the new car will be common to Maruti's present output where local sourcing has already reached 79 per cent.

This is not as fast as the Government would like but, as Mr V. Krishnamoorthy, Maruti chairman, says: "Quality cannot be sacrificed and so the level of indigenisation is 5 per cent below the planned phased manufacturing programme."

However, the local content programme has been rapid enough to enable Maruti to provide the entire engine for the new model from its production lines. This is the same engine that powers the Gypsy, its Jeep equivalent and the only Maruti product to have been accepted relatively slowly in the Indian market.

So confident is Maruti of the demand for the new car that it will open bookings next year and expects that, as in the case of its 800cc model, advance orders will be made for at least three years' production. Fresh bookings for the popular 800cc model will also be made at about the same time.

Much of Maruti's success is due to the economies of scale it has been able to achieve. Unlike other Indian car manufacturers which make 20,000 to 30,000 cars a year, Maruti already sells about 100,000 units annually. Economies will further improve when production rises to between 200,000 and 250,000 vehicles within a few years.

The Government is content with the progress that Maruti has made. Not only is the company profitable, it has also kept its promise to minimise the outflow of foreign exchange until its local sourcing programme is carried through.

Also involved is an export commitment. Already, Maruti's cars have been sold in neighbouring Bangladesh and Nepal and the first sales in Europe were made last year to Hungary. Mr Bhargava says the 800cc car is to be introduced to the French market in the next few months.

The plans for France, which is seen as holding good potential for this size of economy car, are still at an early stage. If they go ahead, shipments would be likely to begin on trial with no set volume targets. A local partner has yet to be identified.

In any event, this is the kind of acceleration the Government has not seen from any of its other 150 companies.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1980=100); engineering orders (£ billion); retail sales volume (1980=100);retail sales value (1980=100);registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unemployed	Vacs.
1987							
1st qtr.	111.0	105.1	27.7	125.4	158.9	3,073	219.4
2nd qtr.	112.1	108.4	27.9	128.3	165.9	2,985	228.1
3rd qtr.	113.8	111.2	28.2	131.8	171.8	2,827	241.3
4th qtr.	115.0	112.6	29.5	133.4	210.8	2,658	262.1
December	115.1	112.7	28.5	133.5	244.9	2,614	258.6
1988							
1st qtr.	114.4	112.9	31.1	135.5	173.3	2,534	247.8
2nd qtr				129.3		2,414	254.8
January	115.4	114.2	30.9	134.9	176.0	2,585	248.5
February	113.1	111.5	31.8	135.3	168.5	2,533	247.9
March	114.8	113.1	31.1	136.5	175.1	2,594	246.5
April	116.0	114.8	31.0	136.4	180.4	2,453	253.7
May	116.7	116.1	31.5	138.6	180.5	2,414	255.5
June				136.8	182.3	2,375	255.2

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1987							
1st qtr.	107.4	100.1	117.8	102.6	114.5	103.3	17.5
2nd qtr.	110.1	101.6	118.0	104.4	120.8	104.9	20.0
3rd qtr.	112.4	104.9	115.6	107.9	120.9	107.0	19.5
4th qtr.	113.4	107.9	118.9	110.6	121.6	105.5	17.0
November	113.5	107.7	119.1	110.0	120.6	106.8	18.8
December	113.2	109.8	118.3	112.0	116.0	104.0	14.2
1988							
1st qtr.	113.3	108.0	118.7	108.8	125.4	106.5	20.1
2nd qtr							23.0
January	114.3	105.4	120.5	110.0	136.0	108.9	18.2
February	112.2	105.4	116.8	107.8	123.0	107.0	20.5
March	113.4	107.3	118.7	118.8	118.0	104.0	21.6
April	112.7	111.5	119.4	113.5	132.0	104.0	21.2
May	115.5	110.2	120.1	114.0	139.0	107.6	22.5
June							24.2

EXTERNAL TRADE- Indices of export and import volume (1980=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1987							
1st qtr.	129.5	133.5	-1,211	+874	+1,150	100.4	27.04
2nd qtr.	129.6	141.1	-2,317	-218	+1,015	103.4	34.36
3rd qtr.	130.6	151.1	-3,150	-919	+936	103.7	34.81
4th qtr.	134.8	152.5	-2,886	-1,397	+1,073	103.9	44.33
December	137.1	154.9	-1,016	-490	+346	104.2	44.33
1988							
1st qtr.	126.0	148.3	-4,016	-2,775	+889	104.7	44.84
2nd qtr	132.5	159.4	-4,332	-2,332	+679	105.9	48.52
January	126.4	151.5	-1,573	-1,159	+355	104.3	43.89
February	122.6	147.4	-1,457	-1,044	+311	104.8	42.93
March	129.1	146.0	-985	-572	+213	105.2	44.84
April	135.4	155.8	-1,167	-867	+309	105.8	47.86
May	129.1	159.7	-1,644	-1,144	+221	107.2	48.53
June	132.9	163.7	-1,521	-1,021	+149	107.8	48.52
July							49.85

FINANCIAL-Money supply M0, M1 and M3 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1987							
1st qtr.	4.4	23.3	19.5	+8,733	1,485	+977	10.00
2nd qtr.	4.5	23.2	19.0	+8,654	1,804	+1,068	9.00
3rd qtr.	5.0	20.0	20.1	+11,596	3,211	+874	10.00
4th qtr.	4.9	22.2	22.5	+11,185	3,807	+946	8.50
December	4.3	22.2	22.5	+4,387	1,009	+249	8.50
1988							
1st qtr.	5.3	19.8	20.4	+13,016	3,861	+1,035	8.50
2nd qtr				+15,266		+1,086	9.50
January	4.6	20.5	21.8	+5,585	900	+288	8.50
February	5.3	18.7	20.0	+2,536	1,192	+321	9.00
March	5.5	19.6	20.4	+4,809	1,068	+426	8.50
April	6.1	22.3	20.0	+6,046	1,576	+281	8.00
May	6.7	20.5	18.9	+3,120	1,256	+366	7.50
June				+6,100		+440	9.50
July							10.50

INFLATION-Indices of earnings (Jan 1980=100); basic materials and fuels; wholesale prices of manufactured products (1985=100);retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931 =100); trade weighted value of sterling (1975=100)

	Earnings*	Basic matls.*	Whsale. mnfg†	RPI*	Foods	Reuters* cmdty.	Sterling
1987							
1st qtr.	192.0	95.2	106.9	100.3	100.5	1,580	69.9
2nd qtr.	196.6	94.3	108.0	101.9	101.8	1,598	72.8
3rd qtr.	202.0	96.3	108.6	102.1	100.5	1,647	72.7
4th qtr.	206.9	99.4	109.8	103.2	101.7	1,683	74.3
December	210.3	97.9	110.0	103.3	102.4	1,707	75.5
1988							
1st qtr.	208.9	95.9	111.0	103.7	103.5	1,747	75.3
2nd qtr		97.8	112.7	105.2	104.6	1,817	77.8
January	205.9	98.1	110.5	103.3	102.9	1,782	74.3
February	208.7	95.9	111.0	103.7	103.6	1,755	74.5
March	213.1	95.7	111.4	104.1	103.9	1,730	76.8
April	213.5	96.3	112.2	105.8	104.4	1,735	78.2
May	213.2	97.7	112.6	106.2	104.7	1,770	78.4
June		98.6	113.2	106.6	104.9	1,835	76.3
July		99.1	113.3			1,870	75.6

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

UK COMPANY NEWS

Simon Engineering lifts profits 25%, takes £3m charge

By Clare Pearson

SIMON Engineering yesterday said it was "back on track for growth," putting behind it a troubled 1987 when its 16-year record in profits growth was broken for the first time.

In the first six months of 1988, pre-tax profits rallied strongly to £11.74m ($19.7m), 25 per cent above last year's figure, the equipment, services and manufacturing company reported.

But a below-the-line debit, equal to a quarter of the pre-tax figure, virtually wiped out the benefit to shareholders' earnings of the profits increase. The bulk of this item was a provision against the Hong Kong mechanical and electrical engineering operation.

The company was guarded about its intentions towards this division, which had over-extended itself on low margin business. But the provision is bound to fuel speculation that the operation may be closed down.

Simon's shares shrugged off the £3.1m hit and closed 2p higher at 284p in a dismal market.

Analysts said the more vigorous management approach of Mr Roy Roberts, appointed as chairman after the failed takeover bid by Valuedale early last year, was beginning to bear fruit.

Mr Anthony Walker of SBCI Savory Milln said he had slightly increased his pre-tax profits estimate for the full year yesterday to £31m. This puts the shares on a prospective p/e of about 9½.

Disposals of two underperforming area of the group – TR International, the chemical merchanting business, and the company's European food equipment companies – are expected to be completed shortly.

A much higher contribution from engineering contracting – prime culprit in last year's downturn – and initial contributions from acquisitions were the main components of the first-half advance. Group turnover rose to £284.5m (£248.8m).

Excluding the extraordinary item, earnings per share rose to 11.3p (9.4p). The interim dividend is increased by 30 per cent to 3.5p.

Ruberoid doubles profits and lashes Raine bid

By Andrew Hill

IN A characteristically fiery defence document, Ruberoid yesterday claimed there was no technical or commercial logic in the hostile bid from Raine Industries' which values the roofing materials supplier and contractor at about £128m.

Ruberoid also brought forward the announcement of its interim figures by two months, and reported pre-tax profits more than doubled to £6.54m (£2.78m) in the half year to June 30.

Ruberoid said Raine, a housebuilder and contractor, offered the roofing company's shareholders no prospect of increased growth, no improvement in quality of earnings, and no proven management skills.

Ruberoid also stresses its own profits record over the last decade, citing a compound annual growth rate of 27 per cent in pre-tax profits, and 25 per cent in earnings per share.

First-half turnover rose from £60.8m to £87.8m. The interim dividend is increased to 1.15p (0.9p) on earnings per share of 8.08p (3.47p).

The profits included a six-month contribution of about £1m from Nebiprofa, a Dutch roofing company, and two months of an increased holding in Norwich Corrugated Board.

NCNB Texas names top management

NCNB Texas National Bank, created on July 29 when the former banks owned by First RepublicBank of Dallas were rescued by NCNB, the North Carolina bank, has named a six-member top management team, Reuter reports.

Mr Kenneth Lewis, Mr Ralph Carestio, and Mr William Kelley of NCNB will report to Mr Francis Kemp, chairman of NCNB Texas National and were named president, and executive vice presidents for, specialised banking and credit policy, respectively.

Mr Raleigh Hortenstine, Mr O. Darwin Smith, and Mr James Erwin of First RepublicBank will report to Mr Timothy Hartman, NCNB Texas National's vice chairman, and were named executive vice presidents for funds management, support, and the special asset bank, respectively.

UK COMPANY NEWS

Vickers sells part of office furniture division to US group for £17.5m

Vickers, diversified defence and luxury car manufacturer, has completed negotiations for the £17.5m cash sale of Comforto Group, part of the company's office furniture division, writes Ray Bashford.

Haworth, a private company based in Michigan and the world's third biggest office systems furniture manufacturer, has acquired Comforto after Vickers signalled its intention in January to dispose of the company.

Vickers' said the proceeds from the sale would be used to support existing businesses.

Comforto is mainly involved in the manufacture of high quality office furniture from a base in Ahlen, West Germany. It has assembly operations in the US and Switzerland.

The company returned a pre-tax profit of £2.1m in 1987, on turnover of £31.7m. At December 31 net tangible assets were £11.5m.

Berisford lifts stake in Billingsgate preference shares to 22.1%

S&W Berisford, sugar refiner and commodities trader, has lifted its holding in the cumulative preferred ordinary shares of single-asset company Billingsgate City Securities to 22.1 per cent, writes Clare Pearson.

Mr Barry O'Connor, Berisford's head of corporate affairs, said the company intended to continue to buy Billingsgate's shares as long as they were available at reasonable prices.

Under the terms on which they are listed, a holding over 29.9 per cent would trigger a takeover bid for the company as if they were ordinary shares. Berisford has bought the shares through Erlanger Commercial Corporation, a Swiss subsidiary.

Berisford, previously owner of Midland Montagu House, Billingsgate's sole asset, owns all of the latter's ordinary share capital. But the preferred shares were floated two years ago in Luxembourg, obtaining a London listing two months ago.

The 25m shares, which carry a right to a fixed percentage of the building's rental income and capital appreciation and control of Billingsgate's board, have risen by 10p since July 19, when Berisford initially revealed a stake. But they still stood at yesterday's close of 123p at a discount to net asset value.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Atlantic Comps. ....int	nil	-	1.5	-	7
Beales (John) ....fin	4.65†	-	4	6.3	5.5
Commercial Union ...int	7.25	Nov 17	6.25	-	16
Cray Electronics.......fin	2.5	Nov 23	1.92*	3.31	2.54*
Flogas § ....fin	3.75♣	-	3.41	5.85	5.31
General Accident .....int	15.5	Jan1	12.5	-	35
GKN ....int	6.25☆	Nov 9	5.5	-	14.5
Independ't News .....int	5♣	-	4.5	-	13.5
Kleinwort Ovs ....int	1	-	1	-	2.6
PSIT ....fin	2	-	1.4*	3.25	2.4*
Rotork ....int	3.25	Oct 26	3.25	-	7.1
Simon Eng. ....int	3.5☆	Jan 1	2.7	-	11.5
Ultramar ....int	2.5	Oct 21	2.3	-	6.5
Wholesale Fitts.........fin	10.2	-	7.84	12.89	10.08

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ΦThird market. ☆Carries scrip option. ♣Irish currency throughout.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- British Petroleum, Davies & Metcalfe, Dawson (William), Mersey Docks & Harbour, Metal Bulletin, Royal Dutch Petroleum, Shell Trans., Smith & Nephew, USDC Inv. Tst.

Finals- Charterhall, Mosaic Invs., Nordic Inv. Tst.

FUTURE DATES

Interims-

Federated Housing	Aug 23
Merchant Manufac. Ests.	Aug 17
New Guernsey Secs. Tst.	Aug 12
Nth. Midland Cons.	Aug 15
Wates City of Lond Prop	Aug 24

Finals-

Oceonics	Aug 18

Nick Bunker reports favourable results for British composite insurers

CU makes underwriting profit in UK

THE BEST underwriting results the UK non-life insurance market has witnessed for many years helped Commercial Union, the composite insurer, lift pre-tax profits 38 per cent to £111.4m in the six months to June 30.

The group's detailed figures indicated, however, that premium rate increases in most areas of UK business were rapidly coming to an end, as the current profitability started to produce a cyclical return of price competition.

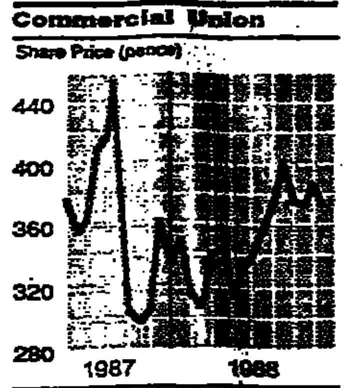
In a weak equity market yesterday CU's shares fell 7p to 371p, in spite of a 16 per cent interim dividend increase to 7.25p per share, which was towards the top end of the range of analysts' forecasts.

CU's buoyant underwriting experience in the UK meant that even before taking investment income into account, it made a first half profit of £19.5m on non-life premiums of £462m, compared with a £1.9m underwriting loss in the same period last year.

In two classes of business - household insurance and commercial fire - underwriting profits were more than 15 per cent of premiums. The UK accounted for 38.3 per cent of CU's worldwide non-life premiums of £1.206bn, making it the group's biggest operating territory.

Mr John Carter, CU's UK general manager, said the UK non-life market was now "relatively static", with few premium rate increases in the pipeline apart from a rise in household structure rates because of the hurricane, and selective private motor premium rate reviews this October. There were "odd cases", he said, where underwriters were cutting prices for commercial risks.

Commercial Union



CU expected to be hit by claims arising from the Piper Alpha explosion, but said the loss would not be substantial because of its conservative reinsurance protection.

In the US - the scene of appalling results for CU during an industry price-war earlier this decade - the group showed a pre-tax operating loss of £4.6m on its property/casualty operations, up from £700,000 in 1987.

CU again attributed this largely to the impact of so-called "involuntary business", such as insurance for high-risk motorists, which it is required to underwrite under local regulations in some states.

In spite of mounting evidence of dramatic price cutting by US property/casualty insurers, CU said it was still obtaining premium rate increases averaging eight per cent in personal lines (such as household and motor insurance), and nine per cent in commercial lines.

Mr Tony Brend, CU's chief executive, said there were "spotty" examples of price reductions on commercial lines, but insisted that he expected the present downturn in the US market's underwriting cycle to end with a "soft landing".

"The terrible experience of the last five years is sufficiently close to company managements for them not to allow this spotty situation to transform itself into something more widespread," he said.

CU's life assurance operations reported a nine per cent increase in shareholders' profits of £41.4m, including £17.5m in the UK.

Worldwide non-life underwriting losses fell from £82.5m to £55.9m. Investment income worldwide was £117.8m (£120m), and realised investment gains were £6.9m (£38m). Profits attributable to shareholders fell to £72.3m (£80m), and earnings per share grew 27 per cent to 15.6p.

Higher motor rates work through at GA

GENERAL ACCIDENT, the Scottish-based composite insurer, has raised its interim dividend by 24 per cent to 15.5p per share - significantly ahead of most City forecasts - after achieving a 64 per cent increase in pre-tax profits to £152.2m in the six months to June 30.

GA attributed the size of the upswing in the pre-tax figure mainly to its operations in the UK, where its big private motor insurance portfolio has benefited from nearly four years of premium rate increases.

But the group's results in the US - where it is primarily a New York, Pennsylvania and New Jersey motor insurer - showed signs of having passed their peak in terms of profitability, in spite of higher than expected private automobile premium rate increases granted by some state regulators.

Mr Buchan Marshall, chief general manager, said that prospects were "reasonably favourable" in most territories, but further underwriting progress would be hard to achieve.

Worldwide, GA's underwriting losses fell marginally to £1.3m, while investment income rose by an underlying 14.3 per cent to £172.2m. Shareholders' profits from GA's small life operations grew from £6.5m to £7m. Earnings per share were up 50 per cent at 57.1p.

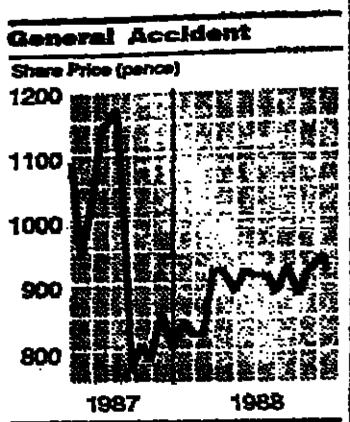
After making a pure underwriting profit of £700,000 in the second quarter, GA's UK motor business reported a reduction in underwriting losses from £9.8m in the first half of 1987 to £1.8m in the same period this year.

Overall in the UK, GA reported an underwriting profit of £9.6m, on UK non-life premiums up 15 per cent at £456m.

In the US - GA's second largest operating territory - the group's cyclical recovery of profitability since the mid-1980s appeared to have stalled, with underwriting losses of £11.2m in the second quarter, up from £9.5m in 1987. For the half-year, underwriting losses in the US fell from £27.4m in 1987 to £26.6m.

GA's operating ratio - the standard measure of US underwriting profitability, showing claims and expenses as a proportion of claims - fell to 105.45 per cent, but was still below average for the US property/casualty insurance industry.

General Accident



See Lex

Ultramar first half rise despite weak oil price

By Steven Butler

ULTRAMAR, the diversified oil company, yesterday reported a 10.5 per cent improvement in profits before tax and exceptional items to £66.8m in the first half of 1988. Turnover rose slightly from £565.2m to £566.6m.

The continuing operations achieved a 14 per cent gain in net profits, from £21.6m to £24.7m. Ultramar had trimmed back a number of its businesses in 1987, although Mr John Darby, chairman, said yesterday this had now come to an end.

Net profits were also boosted by a £17.4m exceptional item resulting from closure of the group's Canadian pension scheme. This amount represented the surplus in the plan when the company switched to a portable saving plan for its employees.

The result is a 43 per cent increase to £40.1m in net profits. Earnings per share were up 4.2p at 14.4p, and the interim dividend is 2.5p (2.3p). Last time there were extraordinary credits of £26.5m.

The improved results came in the face of weaker oil prices, which took a toll in the group's main operating businesses.

The Indonesian liquified natural gas operation experienced a decline in operating profits from £14m to £12.5m, in spite of an increase in LNG cargoes sold to Japan from 61 to 71.

Since April 1 Japanese buyers of LNG have disputed the pricing of the LNG cargoes, which are linked to posted Indonesian crude oil prices. Indonesian crude, however, has been sold at a discount to the posted prices.

Although Ultramar has received the full amount billed in the interim, it has calculated its profits on what it expects to be a final settlement of the dispute.

Net improvements in the rest of Ultramar's exploration and production operation, however, boosted operating profits from this part of the business from £10.7m to £11.8m. Total oil production rose from 93,100 to 97,400 barrels per day of oil equivalent.

Ultramar increased throughput at its Canadian retail operation by 10 per cent, and improved market share; however, falling oil prices caused a decline in profits from £35.4m to £27.2m. Margins in the operation tend to improve when oil prices rise, said Mr Darby.

Profits at the group's California retail operation rose from £500,000 to £4.3m. Improvement also registered in international trading and in shipping, where a £2.9m loss was reversed to a £2.8m profit.

B&C heads for £80m minimum at half year

By Philip Coggan

BRITISH & COMMONWEALTH Holdings, the financial services group being reshaped by Mr John Gunn, yesterday estimated that its profits before tax and amortisation of goodwill for the six months ended June 30 were not less than £80m, compared with £71.1m in the first half last year.

The announcement, which accompanied B&C's offer document to shareholders in Atlantic Computers, came as something of a surprise to some analysts. When the offer for Atlantic was originally announced, B&C said that its profits were merely "broadly in line" with last year's. B&C's shares rose 6p to 344p yesterday.

Mr Duncan Abbot, director of corporate development at B&C, said it had been possible in recent weeks to gain a clearer picture of how the various subsidiaries were performing. All the group's divisions reported improved estimated operating profits with two exceptions: development capital, which was affected by a lower level of disposals and investment management, which was affected by lower sales in Gartmore's unit trust activity.

Analysts still expect that, because of increased preference dividends, B&C's earnings per share will show a fall at the interim stage. The full results will be announced next month.

Atlantic, a computer leasing company, announced its interim results yesterday, showing pre-tax profits slightly higher at £13.1m (£12.8m) in the six months to June 30.

Turnover was 32 per cent ahead at £306.1m (£233m). Net margins fell as Atlantic Network Systems incurred a loss, despite achieving a 60 per cent increase in sales over the corresponding period last year. Earnings per share were 14.7p (13.4p).

The B&C offer, which consists of two ordinary stock units, £12.87 in cash and £9 nominal of loan stock for every five shares in Atlantic, values the whole of Atlantic at £404m.

Maxwell buys London House for $17.4m

MAXWELL COMMUNICATION Corporation, the diversified media group, yesterday said it had signed an agreement to acquire London House, an Illinois-based personnel and management testing group, for $17.4m (£10.3m).

The company said it had purchased about 48 per cent of London House shares from Mr Samuel Maurice, the president, and Mr William Terris, chairman, for about $13.25 a share. Both men had signed long-term employment agreements with London House.

A special meeting of London House shareholders is expected to be held in September to vote on the deal.

London House had revenues of about $8.4m and net income of about $875,000 for the year ended April 30.

Cray Electronics rises to £13m

By David Waller

CRAY ELECTRONICS improved its pre-tax profits by 24 per cent to £13.1m in the year to the end of April in spite of a depressed performance from its defence systems subsidiary.

Turnover at the defence and telecommunications company rose from £64.2m to £75.5m, whilst earnings per share climbed by 18 per cent to 10.3p. The final dividend is to be 2.5p a share, an 30 per cent increase.

Cray bought several companies during the year, the largest of which was Marcol Group, a specialised software house acquired for £22m in May in a recommended bid. Others include Dynamic Logic (telemetry), Lloyd Instruments (materials testing equipment) and A.C.E. Packaging Designs.

Mr Bernard Collins, chairman, declined to detail the proportion of profits coming from these acquisitions, some of which have been merger accounted. He said only that in aggregrate, the companies acquired improved their contribution by £1m year-on-year.

There was no divisional breakdown of profits, but Mr Collins disclosed that defence made only £300,000 on turnover of about £20m, whereas other divisons managed to increase their contribution by as much as 40 per cent.

The aim is to reduce the proportion of group turnover from defence to about 16 per cent in the current financial year.

Mr Collins said the group had a good forward order position and a "considerably improved capability" in its chosen markets.

● COMMENT

This is the eleventh successive year in which Cray Electronics has reported an annual rise in earnings per share and profits. Yesterday's figures - in line with expectations - show once again that the company is capable of generating very high margins across its range of non-defence businesses. Unfortunately, perhaps, Cray does not choose to give much information about its arsenal of high-tech activities, and it is impossible to identify where the growth is coming from. What is more certain, however, is that the current year will benefit from the settling of the company's well-publicised problems with the Ministry of Defence over two contracts. These have been sorted out and the defence division should contribute £3m to total pre-tax profits of £23m. Down 7p to 230p yesterday, the shares are on a prospective multiple of just under 13. Given the company's record, the 40 per cent premium to the sector rating is deserved.

Downturn at Flogas blamed on mild winter

Flogas, bottled gas distributor based in the Republic of Ireland, announced reduced pre-tax profits of I£3.93m (£3.26m) against I£4.24m for the year to May 31. Turnover improved from £19.7m to £22.21m.

Mr Jim Flavin, chairman, said the downturn was directly attributable to effects of the exceptionally mild winter which limited growth in the home heating market both in Ireland and the UK.

Looking ahead, he believed the group's investments in plant facilities, cylinders and customer tanks, allied to increased market penetration, should result in growth this year.

A final dividend of 3.746p (3.405p) is recommended, making 5.846p (5.313p). Earnings per 10p share fell to 17.93p (19.62p) after tax of £428,240 (£417,980).

British Alcan up 30% to £27m

By Andrew Taylor, Construction Correspondent

BRITISH ALCAN Aluminium, the British subsidiary of Alcan Aluminium of Canada, increased pre-tax profits by almost 30 per cent from £20.8m to £27m in the first six months of this year.

Sales during the period rose by almost 12 per cent from £341.8m to £381.6m.

The British subsidiary said that strong demand for aluminium from manufacturing companies had meant that prices and sales were higher than during the first half of 1987. This was despite increases in raw material costs.

Operating profits in the first half of this year advanced by 20 per cent to £33.5m (£28m).

British Alcan said that aluminium sales and prices, which had slumped badly during the early 1980s, had recovered during the past two years as the economies of developed countries had improved and manufacturing output increased.

A low tax charge in the first half reflected the bringing forward of previous tax losses, said British Alcan. Capital expenditure during the first six months was £22.3m. This level of spending was expected to continue for the rest of the year.

Investment was more than covered by cash generated from operations and a further small reduction in external borrowings had been achieved during the first half.

Intensive lobbying awaits Pleasurama shareholders

By David Waller

INSTITUTIONAL SHAREHOLDERS in Pleasurama, the group with interests including casinos and holidays which is fighting a £594m bid from Mecca Leisure, are this morning bracing themselves for a day of intensive lobbying from both companies ahead of tomorrow's crucial extraordinary general meeting.

Mecca has made its share-only offer conditional on Pleasurama shareholders voting at the egm against plans to buy the Hard Rock restaurant chain. Yesterday, institutional shareholders speaking for around 50 per cent of the company handed in their proxy votes on the Hard Rock motion, which requires a simple 75 per cent majority of votes cast.

It is likely that more than 75 per cent of the votes cast yesterday were in favour of the Hard Rock deal. However, shareholders are still free to withdraw their proxies and Mecca will be petitioning hard for them to change their minds.

Moreover, both sides will be attempting to persuade those institutions which did not vote - representing some 22 per cent of the total equity - to come down in their favour during tomorrow's meeting. Private investors own 25 per cent of the company. Shareholders with around 30 per cent of Mecca also own shares in Pleasurama.

PUBLIC WORKS LOAN BOARD RATES

Effective August 10

Years	Quota loans repaid by EPT	Quota loans repaid ANT	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPT	Non-quota loans A* repaid ANT	Non-quota loans A* repaid at maturity§
1			10¾			11½
Over 1 up to 2	10⅝	10⅝	10⅜	11⅝	11⅝	11⅝
Over 2 up to 3	10⅜	10⅜	10¼	11⅜	11⅜	11
Over 3 up to 4	10¼	10¼	10¼	11¼	11¼	11
Over 4 up to 5	10¼	10¼	10⅛	11¼	11¼	10⅞
Over 5 up to 6	10¼	10¼	10⅛	10¾	10¾	10¾
Over 6 up to 7	10¼	10¼	10¼	10¾	10¾	10¾
Over 7 up to 8	10¼	10⅛	10⅛	10⅝	10⅝	10⅝
Over 8 up to 9	10⅛	10⅛	10⅛	10⅝	10⅜	10⅝
Over 9 up to 10	10⅛	10¼	10	10¾	10½	10½
Over 10 up to 15	10¼	10	9¾	10¼	10½	10¼
Over 15 up to 25	9¾	9⅝	9½	10⅛	10	10
Over 25	9⅝	9½	9⅜			9⅞

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

GKN shows 25% growth to £84m

By Andrew Hill

GKN, automotive components and engineering group, reported a 25 per cent increase in pre-tax profits to £84m in the six months to June 30, against £67m in the equivalent period.

Turnover was up 6 per cent to £1.02bn (£961m). Earnings per share rose 37 per cent from 15p to 20.5p, following a drop in the tax charge. This was due to an increased contribution from UK businesses, which now account for 37 per cent (20 per cent) of group profits. GKN has about £100m of tax losses in the UK.

Mr David Lees, making his first statement as chairman since taking over from Sir Trevor Holdsworth in May, said the industrial services division and the defence business had made important advances.

GKN did not break down the automotive and defence division's trading profits of £50m (£47m) to show the contribution from the Warrior tank project, but confirmed it had achieved the full production rate of 150 vehicles a year, against 68 vehicles produced in the whole of 1987. Adverse currency movements stripped about £8m from the automotive profits, but margin pressure on the European constant velocity joint operations was offset by the continued demand for vehicles.

The industrial services and supplies sector was helped by the development of the UK vending division and the Australian plant hire business through acquisition. Divisional operating profits rose by more than 61 per cent to £21m (£13m).

By contrast, Mr Lees said the car parts distribution and services division had disappointed in the first half. Trading profits fell from £6m to £5m on turnover of £147m (£179m). He said within the next few weeks GKN would announce further strategic moves aimed at improving the division's performance.

Gearing remained at the year-end figure of about 38 per cent and interest payable came down from £17.9m to £15.9m. Profits from related companies increased to £19.8m (£17.5m), compensating for the loss of income from Allied Steel and Wire, sold last October for about £181m.

The group declared an interim dividend of 6.25p (5.5p).

● COMMENT

These were encouraging figures, especially at the earnings per share line and if the British operations continue to perform strongly then GKN should be able to maintain earnings growth as massive UK tax losses are gradually used up. On the strength of this and an extremely healthy prospective dividend yield approaching 7 per cent, some analysts believe the shares deserve a re-rating. But the group bears the stigma of an automotive stock, a sector currently viewed with caution by investors. In fact, underlying growth in GKN's automotive and defence division is not discreditable, given that its trading profits bore the brunt of adverse currency effects in the first half, and included a significant increase in rationalisation costs. Elsewhere, the group hopes to pep up the car parts subsidiaries and seems confident about the rapidly improving industrial services division. GKN's shares lost 7p in a severely depressed market and closed at 329p. Forecast full-year profits of about £169m before tax put the shares on a prospective multiple of about 8.

Smith & Nephew £33m offer wins Albion

By Ray Bashford

SMITH & NEPHEW, medical and healthcare group, has won an international auction among 40 companies to acquire the Albion Group, soap and toiletries manufacturer, for £33m.

The purchase is part of Smith & Nephew's plan to develop its toiletries division, built on the success of the Nivea and Atrixo brands during the past five years.

Albion's Simple and Cidal product ranges were the principal attractions for Smith & Nephew. However, directors said there was room to exploit more fully the potential of other brands.

Albion has been controlled for more than 30 years by the Williams family, which holds about 75 per cent of the capital directly and through family trusts.

Investors in Industry (3i) which holds 20 per cent, walks away from its 8-year investment with a handsome profit, having sunk about £900,000 into the company after an initial £400,000 payment.

A controlled auction, organised by 3i, attracted an initial response from 40 European and US soap and toiletries companies which were asked to make preliminary offers. A short list of about five companies was then asked to make definitive bids.

This short list is understood to have included several large international soap and toiletries companies. Mr Keith Coldman, managing director of Albion, said he was pleased that a British company had won the auction.

The consideration will be met through the issue of a 3-year 8¾ per cent loan note to the value of £19.8m, Smith & Nephew shares to the value of £2.7m, and £10.5m cash.

Staley sells commodity brokerage to Drexel

By Clay Harris

Staley Continental, Tate & Lyle's new US sweetener subsidiary, has sold its commodity brokerage business to the US investment bank Drexel Burnham Lambert for $35m (£20.7m). As part of the deal, Staley has dropped a $210m lawsuit against Drexel which pre-dated Tate's successful $1.48bn takeover in May.

The sale price of Staley Commodities International, with offices in Chicago and Kansas City, was substantially greater than net asset value, Tate said yesterday. Under Drexel, the unit will continue to transact hedging operations – primarily of maize – for Staley for at least two years.

The suit, and a counter-action by Drexel, centred on Staley's contention that the bank and its clients had pressured it to go private in 1986. "The action was started by the previous management," Mr Paul Lewis of Tate said yesterday. "We didn't feel like we had to inherit it."

Since the Staley acquisition, Tate has recouped $700m by selling the CFS Continental food services business to Sysco, the US leader in the sector, and more than $10m through the disposal of a Texas surfactants plant to Henkel, the West German chemicals company.

The review and disposal of operations peripheral to Staley's main corn syrup businesses is nearing completion, Tate said.

Marling acquires trailer body manufacturer for £6.8m

By Vanessa Houlder

MARLING INDUSTRIES, maker of industrial textiles and safety products, yesterday announced a £6.8m acquisition of the outstanding 80 per cent of shares in Boalloy, a manufacturer of curtainsided bodies for trailers, and a £3.9m rights issue.

Mr Peter Held, chairman of Marling, said that the deal was expected to accelerate Boalloy's growth by giving it access to Marling's international network.

Strong growth was expected in Holland, Spain and France, particularly after the deregulation of European trade barriers in 1992 and the opening of the Channel Tunnel in 1993.

Marling, which has held a 20 per cent stake in Boalloy since 1984, supplies the company with the straps and fittings used for cargo restraint and for tightening the curtains fitted to curtainsided bodywork. Boalloy, which claims that 40 per cent of major hauliers use its curtainsided system, accounts for 2 per cent of Marling's sales.

At the same time Marling announced the acquisition of the outstanding 93.1 per cent of Collingwood, a Canadian webbing manufacturer for £380,000.

The acquisition of Collingwood, which claims 30 per cent of the industrial webbing market in Canada, is Marling's first move into North America. It is expected to provide direct access to the North American market for car seat-belt webbings, cargo slings and lashings.

The £6.8m payment for Boalloy will be in the form of convertible redeemable preference shares. A maximum additional cash sum of £2.4m may be paid, depending on profits in the current financial year. In the year to March 31, Boalloy produced turnover of £26.2m and profit before non-recurring items and taxation of £1.1m.

The rights issue will take the form of 2.76m shares, offered at 156p per share on the basis of one-for-ten. Half the £3.9m raised will be used for Marling's Spanish and UK investment programme, with the remainder used to fund the cash payments for the acquisitions and for working capital.

John Beales profit up 36%

John Beales showed further progress in the year to the end of May, lifting pre-tax profits 36 per cent from £1.51m to £2.06m, and turnover 37 per cent.

Sales advanced to £26.17m (£19.1m) and operating profit to £2.04m (£1.43m). Broken down into divisions, textiles produced sales of £17.06m and operating profit of £1.28m, refrigeration £5.32m and £533,000, and electrical £3.79m and £224,000.

Earnings were 26.7p (22p) and the final dividend is raised to 4.65p (4p) for a total of 6.3p (5.5p).

The directors considered that the development of three separate areas of activity would enable the group to safeguard its long-term future. For the current year they were expecting further expansion.

The textiles and refrigeration divisions were well established and clear strategies had been developed for their growth. The newer electrical side would benefit from the wider customer base of Southern & Redfern (acquired last December) and the next few years would be used to identify those areas offering the best prospects of long-term growth.

The results do not include any contribution from Southern & Redfern. Following extensive reorganisation and a return to profitability towards the end of the year, it traded at break-even in the six months since acquisition.

In textiles, margins were maintained despite increased raw material prices and some de-stocking by retailers. Current order books were healthy and margins were being held.

On the refrigeration side the group was seeking expansion through acquisitions, particularly in London and East Anglia. Further acquisitions were also being sought in the electrical field.

BOC advances 16% at third quarter

By Andrew Hill

BOC GROUP announced a 16 per cent increase in pre-tax profits in the nine months to June 30 1988. The gases and healthcare company made £221m against £190m in the equivalent period on sales up 9.5 per cent to £1.9bn (£1.73bn). Earnings per share rose 15 per cent from 26.82p to 30.93p.

Mr Richard Giordano, chairman and chief executive, said the result reflected a strong performance from almost all businesses.

The group does not break down its trading profits by division at this stage, but did confirm that Glasrock, the US home healthcare subsidiary, was progressing well. The division lost money in 1986-87.

BOC took losses of £18.5m below the line, principally relating to the disposal of the group's carbon and US carbide businesses, announced in March, including an £8.5m extraordinary tax charge on that disposal.

The balance consisted of extraordinary losses on the disposal of a small US-based dental, veterinary and emergency business, and the sale of BOC's minority interest in Zambia Oxygen.

Expected proceeds from the sales were included on the balance sheet at June 30, boosting related companies and other investments from £161.4m to £303.3m.

The group said some £107m had been received since June 30 which had been used to reduce group debt.

BOC's operating profits in the Americas increased by 16 per cent to £91.1m (£78.7m). In Europe profits rose to £78m (£65.5m), African operations made £26.4m (£23.3m) and the Asian Pacific region contributed profits of £53.1m (£44.7m).

Grand Central

Grand Central Investment Holdings, the international food manufacturing and distribution company, is buying Dinnie Rundle, an Australian distributor of chocolate and confectionery products for A$2.67m (£1.25m).

The purchase follows Grand Central's £4.3m rights issue, announced in June. Dinnie Rundle, which is certifying pre-tax profits of A$440,000 for the year to June 30, will strengthen and expand Grand Central's distribution business in Australia, Network Foods.

Rotork down as expected

AS FORECAST in May, difficult trading conditions in the first half caused a downturn in pre-tax profits at Rotork, designer and manufacturer of valve control equipment, machine tools and instrumentation.

The taxable result slipped from £2.75m to £2.3m in the six months to June 30, though turnover was up to £17.16m (£16.19m). Earnings per 10p share fell to 5p (6p) and the directors have declared a maintained interim dividend.

At Rotork Controls, the valve actuator, volume was slightly down, reflecting a worldwide lack of projects requiring the actuation of large diameter valves. This position had been exacerbated by sudden currency movements.

TIP Europe in £1m expansion

TIP Europe, the trailer rental company which was floated on the London and Amsterdam stock markets in February this year, has agreed to acquire Greenland Transport Equipment for around £1m.

Greenland rents, leases and hires out road tanker trailers and had net assets of £448,000 as of July 31 1987.

Wolstenholme urges rejection

By Clare Pearson

WOLSTENHOLME RINK, lithographic materials and metal powders group fighting a £26m takeover bid from Cookson Group, denies there is an industrial fit between its businesses and those of the much larger specialist metals and chemicals manufacturer.

In a letter to shareholders yesterday, Mr Stanley Wright, chairman, says: "There is nothing to suggest Cookson has anything to add. The businesses of Cookson and Wolstenholme Rink are not complementary as Cookson suggests." Shareholders are urged to take no action.

Mr Wright says that Charles Openshaw, supplier to the lithographic printing industry was the only business closely related to Cookson, but its relationship is "competitive rather than complementary."

He also points out that Omnicrom, the recently acquired US company should help Wolstenholme establish itself as a "world leader" in the supply of offset metallic inks and bronze powder.

Wolstenholme also highlights the point that the current value of its shares is about 17 per cent higher than Cookson's five-for-three share offer, and more than 20 per cent higher than the cash offer.

Independent Newspapers rises to I£5.02m

By Kieran Cooke in Dublin

INDEPENDENT NEWSPAPERS, the biggest newspaper publishing group in the Republic of Ireland, announced pre-tax profits of I£5.02m (£4.17m) for the six months to June 30, an increase of 33 per cent over the £3.77m of last time.

Group turnover was up by 52 per cent to £65.41m (£43.09m), while earnings rose to 17p (12.7p).

The group said that in view of the healthy growth in profits, the interim dividend would be increased to 5p (4.5p). Last year Independent increased pre-tax profits to £8.43m.

The Independent group has four national publications in Ireland: The Irish Independent, Sunday Independent, Evening Herald and The Sunday World. It also has a 50 per cent interest in the recently-launched Irish edition of The Star, the UK tabloid.

In recent years the group has made substantial investments overseas, particularly in the UK, France and Australia. In the UK, the group has several regional and specialist publications while in France and West Germany it has a substantial stake in outdoor advertising and poster sites.

In Australia, the group has recently increased its stake to 66 per cent in Buspak, the urban transit advertising company.

Last year, overseas operations contributed an estimated 40 per cent to group profits. Further overseas acquisitions are likely in the near future.

Mr John Meagher, Independent's deputy chairman, said that the group was looking at further provincial newspaper titles in the UK and more outdoor advertising projects in Europe.

Last month Independent signed a £40m (sterling) revolving credit with a consortium of banks led by Bankers Trust in London. The group said this would ensure that further acquisitions could be made.

Independent's biggest single investment so far this year has been its £11m acquisition (in a complex deal) of a 14.95 per cent stake in Provincial Newspapers of Queensland (PNQ), Australia's largest independent publisher of regional dailies.

Needwood finds £38m for Whitecroft buy

By Andrew Taylor, Construction Correspondent

NEEDWOOD HOLDINGS, a private company, has raised more than £38m in equity and loans to finance the acquisition of the builders' merchant arm of Whitecroft. Needwood is run by Mr Peter Aldridge, the former chairman and chief executive of Thermalite.

Mr Aldridge said that the £34m purchase, announced last month, would make Needwood the 15th largest builders' merchant in the country. Needwood plans to seek a stock exchange listing within three years, he added.

In 1983 Mr Aldridge led a management buy-out of Thermalite from construction group John Laing. Thermalite was subsequently purchased by Marley, diversified building products group. Mr Aldridge left Marley at the end of last year to start Needwood.

Many of the institutions and companies which backed the management buy-out at Thermalite are supporting Needwood. The company has raised £12m from shareholders including Tarmac Quarry Products, Ivory & Sime Development Capital, CIN Venture Managers, Electra Investment Trust and Prudential Venture Managers.

A further £21m has been raised in loans from Security Pacific Eurofinance. The financing package was arranged by James Capel.

Total builders' merchant sales are running at around £5.5bn a year.

After the financing deal, the management will be left with a 16 per cent stake in the business. This will be increased, to a maximum of 40 per cent, if profit targets are exceeded.

The builders' merchant division of Whitecroft consists of eight companies operating through 26 outlets in North Wales, the Midlands, north and south-east England.

The division had net assets of £15m.

Wholesale Fittings up 23% to £6.8m

Wholesale Fittings has reported pre-tax profits up 23 per cent from £5.53m to £6.78m in the year to April 29 1988. Sales rose by 21 per cent from £42.92m to £52.09m.

Since the end of April this wholesale electrical distributor opened depots in Bristol, Leicester, Peterborough and Wellingborough, and a fifth is due to open soon in Fulham, south-west London. The company plans to extend its geographical spread further by opening at least another five depots before the end of the current financial year.

The directors propose an increased final dividend of 10.2p, making a total of 12.89p (10.08p). Earnings came out at 31.8p (25.9p).

PSIT increase

Property Security Investment Trust recorded a small increase in pre-tax profit, from £5.61m to £5.83m, in the year ended March 31 1988. At that date net asset value was up from 158p to 185p.

Earnings per 50p share worked through at 5.34p (4.52p) and the dividend is lifted to 3.25p (scrip adjusted 2.4p) with a final of 2p.

Investors bank on a profitable future at Reedpack

Maggie Urry on the continuing attraction of buy-outs despite the burden of debt

LEVERAGED buy-outs are a low risk, high reward, investment, says Mr Robin Hall of CIN Venture Managers. He abandons conventional investment wisdom to explain the rush of institutions to back the £608.6m buy-out of Reedpack, the paper and packaging interests of Reed International.

A high level of debt – way above what would be acceptable in a public company – appears barely troublesome to investors even though they are locked in for at least three years. Then the group intends to return to the stock market, under a name to be chosen by the 12,600 staff through a competition.

Mr Hall reckons that initial investors will achieve a return of 35 per cent a year compound if Reedpack meets its targets. Mr Peter Williams, chairman and chief executive of the newly bought out group, is budgeting for compound annual trading profits growth of 15 per cent.

On those figures, the buy-out's arrangers managed to sell the £51m of equity available twice over in the space of three days. This is not to say that Reed International sold out cheaply – the management buy-out had to compete with other interested buyers.

Clearly there is a shortage of good homes for venture capital funds to invest in. Even so such a rapid mustering of 39 investors also reflects not only their confidence in Reedpack – which is a market leader in many of its nine sectors – but the success of previous such deals.

Most spectacular was the buy-out of Bowater Industries' paper-making business, which has returned to the market as UK Paper. The buy-out in September 1986 was worth £38m. Its stock market value at flotation this spring was £107.6m and its capitalisation has risen to about £139.5m at yesterday's closing price of 175p.

Mr Cyril Washer of Bowater, says that when the group sold its paper interests "we just wanted to get out, and at the time it was a good price." The business had been loss-making and a cash drain on the rest of Bowater, requiring heavy capital spending.

Since then the revival of the paper industry has been dramatic and UK Paper has prospered, paying off much of the debt assumed at the time of the buy-out.

> **'We have built slower growth rates into our forecasts. So long as we meet 90% of forecasts we don't need to worry about the banks.'**

Lawson Mardon, formed in August 1986 when BAT Industries decided that its packaging interests in Europe and Canada were not likely to develop to the scale of its other businesses, was originally burdened with even greater debt levels than UK Paper. A combination of disposals, tighter control of working capital and a stock market flotation in Canada only two years on, has brought debt down to levels where Lawson Mardon is making acquisitions again.

That group, like UK Paper, has had the advantage of booming conditions in its market since its buyout.

Reedpack may not be so lucky if economic growth slows. However, it has other advantages. Whereas Bowater sold its paper interests and retained its packaging business, and BAT did the reverse, keeping its paper side, Reedpack has both. Reed International has decided to concentrate on its publishing activities.

Reedpack's nine divisions have a balance of fast growing areas – such as Spicers, an office supply company which raised profits by 30 per cent last year and the plastic packaging businesses which are up against capacity constraints – and more mature businesses, which are often cash generators.

Mr Williams is confident that Reedpack can meet its forecasts even if its markets are less buoyant. Reed International had already done much to make Reedpack less affected by external cycles. Its paper is largely made from waste, so it is less dependent on swings in pulp prices, and its mills were made more energy efficient.

"We have built slower growth rates into our forecasts. So long as we hit 90 per cent of our forecasts we do not need to worry about the banks," he says. He is convinced, too, of the galvanising effect that owning the business will have on managers and staff. There had been a feeling that Reed International no longer valued its manufacturing businesses.

Reedpack is starting out with gearing of 200 per cent. Yet unlike other leveraged buy-outs, there will not be a rush to repay borrowings, or a rash of subsidiary sales. Instead the high level of debt will be maintained as a £320m capital expenditure programme continues.

The only constraint may be when it comes to expansion plans. Reedpack has some projects in mind for the UK and Europe for which it will take in joint venture partners.

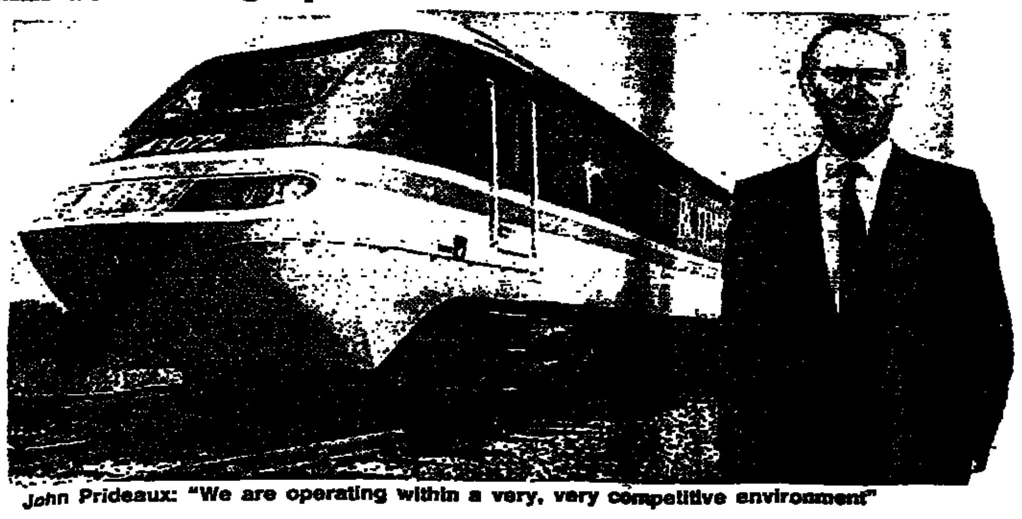
Reed International appears to have learnt the lessons of other sellers to management buy-outs. Unlike Bowater and BAT, it has contributed £60m to the funding of the buy-out in the shape of redeemable preference shares, which carry a warrant to buy 10 per cent of the equity for a nominal sum when Reedpack floats.

MANAGEMENT: Marketing and Advertising

InterCity travel

BR has designs on quality

Alice Rawsthorn explains how the flagship service is aiming to court its customers



John Prideaux: "We are operating within a very, very competitive environment"

One image of train travel is of satisfied passengers sipping steaming cups of tea in grand Gothic stations. Another involves intrepid travellers braving an icy wind on a litter-strewn platform while waiting – and waiting – for a train.

Unfortunately for the millions of Britons who travel by train each year, icy winds and litter are rather more typical than tea and Gothic grandeur. So British Rail's InterCity service is now in the throes of an ambitious design programme intended to restore train travel to its former glory.

The objective is simple. The current financial year is the first in which InterCity will not receive a financial subsidy from the Government. Next year it is expected to muster profits – before interest – of £15m as the first step towards achieving 5 per cent return on assets by 1992.

One way of meeting this target is to cut costs. It has already implemented economy measures, such as improved time-tabling and maintenance. But the scope for cost-cutting is finite. The chief focus of InterCity's efforts is to improve the quality of its service, thereby becoming more attractive to travellers and persuading them to travel by train rather than car.

"We operate within a very, very competitive environment," says Dr John Prideaux, British Rail's director of InterCity. "Our customers almost always have an alternative and InterCity will never be the cheapest form of transport. If we are to succeed it must be on grounds of quality."

One inestimable advantage for InterCity was that – for all the complaints about grubby stations and overcrowded carriages – its research showed that people wanted to enjoy the experience of travelling by train again.

The research also identified areas in which quality could be improved. Some were functional: such as speeding up journeys and increasing the availability of seats. InterCity was also aware of the need to enhance the experience of train travel, by making both trains and stations more pleasant.

Given that InterCity has no control over many of the functional aspects of its service – it is, for example, powerless to prevent delays caused by obstacles on the line because another part of BR takes responsibility for track maintenance – so improving the quality of train travel was all the more important.

It began by overhauling the design of its trains. Everything, from the space between the seats to the colour of the carpets, was re-thought. The second class, or "standard", compartments have been treated to a new red livery, while first class is distinguished by grey and pink. All the InterCity trains should be refurbished by 1990.

The train design programme was accompanied by the introduction of a new corporate identity. In the past there had been no attempt to create a coherent identity for InterCity. "It was a mess," says Prideaux. "There was not even a consistent choice of colour. We wanted to create a simple, visual story that could be applied to every part of the service and would present InterCity as BR's flagship brand."

InterCity worked with Jane Priestman, BR's design director, and Newell & Sorrell, an independent design consultancy, to create the new identity. Together they produced a simple logo with a new symbol, a swallow, chosen because it "swoops all over the country".

The new identity is now being introduced – slowly, but steadily – to everything from timetables to cocktail sticks.

"It is fallacious to think that the image of an organisation can be changed with a pot of paint," says Prideaux. "We want our new image to symbolise a genuine improvement in the quality of our service."

In spring last year, when it started to implement the corporate design programme, InterCity formed a design group chaired by Prideaux. The group meets monthly to assess new design projects. The objective is that this should ensure that every new initiative is in harmony with Newell & Sorrell's original concept.

InterCity is now tackling the design of its stations. Its research showed that people not only found stations to be dispiriting, but that the layout was often chaotic.

"Airports were perceived as efficient, but rather boring places; while stations were seen as inefficient, but entertaining jumbles," says Prideaux. "Somehow we wanted to combine the best of both."

The logistics of station refurbishment are horrendous. There are 83 stations in the InterCity network – all in different shapes, sizes and styles – from the grandeur of Giles Gilbert Scott's work at St Pancras in London, to the brutalism of Birmingham New Street, a creature of the 1960s buried beneath a shopping centre.

The last sop to station design had been to lick them all into a uniform of corporate red and yellow in the 1960s. Today's objective is to define simple criteria, in a "design manifesto" intended to ensure that all stations are as accessible as possible, without detracting from the character of the buildings.

The manifesto identifies four areas of emphasis: access, embracing car parking and public transport facilities; the arrival and ticketing area; the waiting area, where InterCity intends to boost its income from shops and catering; and the platform, "the first and last sight" of the station.

One of the main obstacles to the programme was the multifarious management structure. At Waverley in Edinburgh, for example, 12 managers were empowered to veto various aspects of its redesign. InterCity has now decided that one manager will take design decisions at each station.

Over the next five years it will invest £125m in station refurbishment. This investment will include £18m on redevelopment at Reading and the £5m restoration of Isambard Kingdom Brunel's roof at Paddington in London.

When the present programme is completed, InterCity will turn its attention to other stations. "Redesigning a railway is rather like painting the Forth Bridge," says Prideaux. "Once you have finished you simply start all over again."

Classical recording

Putting RCA back on a pedestal

Philip Rawstorne explains the marketing strategy of the revitalised Red Seal label

For some 60 years, RCA Red Seal was perhaps the most famous classical record label in the world. The US company boasted proudly that it was the place "Where Artists Become Legends." Its list of artists read like a Who's Who of music – Caruso, Gigli, Heifetz, Horowitz, Rubinstein, Toscanini.

But after RCA's founder and music enthusiast, General David Sarnoff, retired in 1968, the classical record division began to slide. Corporate indifference to a relatively minor part of the group's operations led to lack of investment, mediocre management and bad artistic decisions.

In 1985, RCA Records became the major partner in a joint venture with Ariola, part of the giant West German publishing and entertainment group, Bertelsmann.

General Electric of the US acquired RCA – mainly for its NBC television network – in early 1986 for $6.3bn and lost little time in disposing of its 75 per cent share in RCA/Ariola. Bertelsmann paid $300m for the RCA interests. Though the pop side of the record business was doing well with artists such as Stevie Wonder, Barry Manilow and Lionel Richie, the Red Seal classical label had then become familiarly known as the Dead Seal, deserted by most of its remaining big names, such as Placido Domingo.

Now, two years later, the West German-owned company has begun the revival of the brand as part of its BMG Classics. And it has given the task to a British executive, Michael Emmerson.

Emmerson, founder of the Belfast Festival and the man who launched the career of the flute player, James Galway, had moved into the hot seat at Red Seal one month before the Bertelsmann takeover. "That takeover was the best thing that could have happened," he says. "The organisation was moribund. But now the whole corporate philosophy has changed. For the first time since Sarnoff, the company is in the hands of a group of people who care about music."

That does not mean that they are not interested in profit. During the next five years, the aim is to double BMG/RCA's share of the $1.2bn international classical records market to around 20 per cent.

With a current 8 per cent of the market, BMG/RCA is the fourth largest classical record company in the world, behind PolyGram (Deutsche Grammophon, Decca, Philips), with 47 per cent; CBS with 20 per cent; and EMI with 12-15 per cent.

Emmerson has had one vital piece of luck. "The compact disc revolution," he says, "has enabled us to capitalise on the RCA legacy. Like me, people everywhere are throwing out their old LPs and replacing them with CD versions."

So Emmerson has reissued, for example, 20 albums of Rubinstein playing Chopin; has 41 CDs of Heifetz coming out; and is reissuing a host of Horowitz recordings, along with numerous others by the great musicians of the past.

The exploitation of the back-catalogue, says Emmerson, is giving him both the resources and the time to develop his programme of new recordings and to improve his marketing organisation. This year, he has reissued some 250 albums compared with only 50 new recordings. "But that balance will be changed. It is fine for the short term, but it is not healthy in the long term. By next year, I want to get the balance to 50-50, then after that, move to a situation in which the back-catalogue comprises about 25 per cent."

The reissues have begun to restore Red Seal's credibility as an international classical label. But the enlistment of new artists is the critical factor in re-establishing the label and rebuilding brand loyalty.

"Two years ago no self-respecting manager would have taken an artist to RCA," Emmerson says. But already he has signed more than any RCA executive for 20 years.

His new artists include James Galway (flute), Julian Bream (guitar), Joseph Swenson (violin), Richard Stoltzman (clarinet) and Barry Douglas (piano). From Russia, he has also enlisted Yuri Bashmet (viola), Natalia Gutman (cello) and the Moscow Virtuosi chamber orchestra.

Critics and competitors have queried some of Emmerson's choices. But in his judgment they all have the combination of qualities that usually produce successful records – musicality, personal magnetism, and the self-awareness that leads artists to the music they play best.

A record company, says Emmerson, should help the artist's development. "We have to help and encourage them to achieve their full potential, draw out of them the performances that will sell records now and for decades ahead."

Bertelsmann has given Emmerson a new recording budget 10 times bigger than that of RCA two years ago. With its new list of artists and that sort of investment, Emmerson is confident that he can put Red Seal "back on a pedestal".

But nothing is being left to chance. In a typical month, he spends 10 days in London, 10 days in New York, and 10 days "on the road" honing the company's marketing skills as well as coaching the artistic talents.

Around 8 per cent of sales revenue is ploughed back into advertising and marketing, he says – though he declines to give the sums involved. Advertising is concentrated in classical music magazines; and much is spent on point of sale promotions in record stores. Direct marketing will be used increasingly as record clubs become an ever more important outlet, says Emmerson.

The RCA labels have been rationalised with a Gold Seal mid-price line and a Victrola budget label below Red Seal. Record sleeves have been redesigned to emphasise the labels' internationalism and improve brand recognition.

"Brand loyalty is very important," Emmerson says. "What we do today, we assume will be valid in 10-20 years' time."

Emmerson believes the entire classical market is set for expansion. "People now in their mid-40s have always been into music in various ways. Now they are too old for conventional pop, but their kids are leaving home and they have more money to spend. I expect them to lead the way into classical music."

The development of audio-visuals – with hi-fi equipment linked to a television screen – will give another boost to the market, he says. Ballet and opera recordings will be accompanied by films of the performances. "But within 10 years, I would expect film interpretations of other works – Beethoven's Fifth, say, by Colin Davis and John Schlesinger."

With CDs becoming the standard recordings, he thinks the record industry may also fall into line with the book publishing business. "A book is generally published first in hardback at a high price because there is a group of people that must have the latest biography or spy novel the moment it's out. A year later there is another, much larger group, that buys the books in paperback.

"I believe that CD recordings will eventually sell like that – at a premium price when first released, at a budget price when they have been around for years, but at a standard mid-price as the normal catalogue price."

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar stalls above DM1.92

TRADING WAS subdued on the foreign exchanges yesterday, as the market absorbed the implications of higher interest rates.

The dollar opened firm in Europe, but then drifted lower, hovering for most of the day around the DM1.92 level.

It was the quietest day so far this week, following Tuesday's rise in the US discount rate, and Monday's increase in UK bank base rates.

There appeared to be hints yesterday of higher interest rates from other central banks, including the West German Bundesbank, but this was not the reason that the dollar stalled in its upward run.

The market was dominated by technical factors, amid suggestions that the recent surge in the dollar's value has left the currency overbought. This encouraged profit taking, and brought the dollar down from a peak of DM1.9250.

If this is only a technical adjustment however, the dollar could still be set to test DM1.95 in the near future, with DM2.00 as a possible goal.

Traders were divided on the dollar's near term prospects. In Tokyo the US currency failed to capitalise on gains seen on Tuesday in New York, provoking comments that it may be close to a near-term peak.

There were also suggestions that the Bank of Japan will raise interest rates, but the authorities in Tokyo said there will be no change in the current basic policy stance.

Central banks were not seen in the market. This led to a remark that the Bundesbank has given up trying to stem the D-Mark's fall, after the surprising rise in the US discount rate on Tuesday. It was suggested that the Bundesbank and US Federal Reserve had wasted their time with fairly heavy intervention to stem the dollar's advance on Monday.

There seems little doubt however that the West German authorities will be forced to defend the D-Mark again if there is a pick up in market activity, and another surge in the value of the dollar.

The Bundesbank did not intervene when the dollar was fixed at DM1.9205 in Frankfurt, compared with DM1.8955 on Tuesday.

At the close in Europe the dollar had eased slightly to DM1.9155 from DM1.9160; to Y134.45 from Y134.70; and to SFr1.5990 from SFr1.6020, but rose to FFr6.48 from FFr6.4575.

According to the Bank of England the dollar's exchange rate index rose to 100.6

Sterling continued to advance against the D-Mark, reflecting the differential between interest rates in London and Frankfurt.

The climb in UK bank base rate to 11 p.c., from 7½ p.c. at the beginning of June, has left the market in little doubt that the UK authorities now place a much higher priority on the fight against inflation than on defending industrial competitiveness.

Sterling is expected to take the strain, and will be allowed to move up against the D-Mark, as London interest rates remain high, in a bid to cool the overheating caused by Britain's fast rate of economic growth.

£ IN NEW YORK

Aug.10	Latest	Previous Close
£ Spot	1.6935-1.6945	1.6835-1.6845
1 month	0.40-0.38pm	0.41-0.40pm
3 months	1.06-1.02pm	1.13-1.11pm
12 months	3.30-3.28pm	3.34-3.27pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug.10	Previous
8.30 am	76.7	76.9
9.00 am	76.7	76.9
10.00 am	76.7	76.8
11.00 am	76.7	76.8
Noon	76.7	76.9
1.00 pm	76.7	76.8
2.00 pm	76.8	76.9
3.00 pm	76.7	76.5
4.00 pm	76.7	76.6

CURRENCY RATES

Aug.10	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.756896	0.643532
U.S Dollar	6.50	1.29187	1.08770
Canadian $	8.75	1.56975	1.33036
Austrian Sch.	3½	17.2310	14.6752
Belgian Franc	7	51.3098	43.6901
Danish Krone	7½	9.35249	7.96467
Deutsche Mark	3	2.44874	2.08697
Neth. Guilder	4	2.76525	2.35629
French Franc	9½	8.26409	7.04828
Italian Lira	12½	1808.13	1541.54
Japanese Yen	2½	172.658	146.458
Norway Krone	8	8.88161	7.57636
Spanish Peseta	-	160.437	136.691
Swedish Krona	8½	8.38230	7.11789
Swiss Franc	2½	2.04632	1.74521
Greek Drach.	20½	196.235	167.179
Irish Punt	-	N/A	0.775597

*All SDR rates are for Aug.9

CURRENCY MOVEMENTS

Aug.10	Bank of England Index	Morgan Guaranty Changes %
Sterling	76.7	-15.4
U.S Dollar	100.6	-8.2
Canadian Dollar	84.7	-2.2
Austrian Schilling	132.0	+9.4
Belgian Franc	96.9	-6.6
Danish Krone	88.0	+0.2
Deutsche Mark	142.2	+19.7
Swiss Franc	164.6	+19.4
Guilder	130.9	+12.5
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100). [illegible]

OTHER CURRENCIES

[illegible]	[illegible]	[illegible]
S. Af (Cm)	4.2030-4.2140	2.4840-2.4860
S. Af (Fn)	6.2015-6.3180	3.6695-3.7085
Taiwan	48.15-48.40	28.55-28.65
U.A.E.	6.2000-6.2100	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Aug.10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6901	+2.90	+1.06	±1.5344
Danish Krone	7.85212	7.96467	+1.43	-0.41	±1.5404
German D-Mark	2.05853	2.08697	+1.38	-0.46	±1.0981
French Franc	6.90403	7.04828	+2.09	+0.25	±1.3674
Dutch Guilder	2.31943	2.35639	+1.59	-0.25	±1.5012
Irish Punt	0.768411	0.775597	+0.94	-0.90	±1.6684
Italian Lira	1483.58	1541.54	+3.91	+2.75	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

August 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6835-1.6955	1.6905-1.6915	0.40-0.37cpm	2.73	1.13-1.08pm	2.61
Canada	2.0480-2.0700	2.0665-2.0675	0.28-0.18cpm	1.34	0.72-0.60pm	1.28
Netherlands	3.65-3.66	3.65-3.66	1¾-1⅝cpm	5.54	5¼-5pm	5.61
Belgium	67.55-67.95	67.75-67.85	35-15cpm	4.42	80-60pm	4.13
Denmark	12.33-12.38¾	12.37¾-12.38¾	3⅛-2⅝orepm	2.85	9¼-8¼pm	2.85
Ireland	1.2005-1.2055	1.2030-1.2040	0.40-0.34ppm	3.69	1.20-1.00pm	3.66
W. Germany	3.23¾-3.24½	3.23¾-3.24¾	1⅝-1½pfpm	5.79	4⅞-4⅝pm	5.86
Portugal	260.55-261.95	260.95-261.95	25-75cdis	-2.29	75-185dis	-1.99
Spain	211.65-212.95	212.20-212.60	25-parcpm	0.71	50-20pm	0.66
Italy	2387-2395¾	2394¾-2395¾	4-parlirepm	1.00	6-parlirepm	0.50
Norway	11.73½-11.77	11.76-11.77	1⅝-2½oredis	-2.10	5½-6½dis	-2.04
France	10.92-10.96¼	10.95¼-10.96¼	3¾-3¼cpm	3.90	10⅝-9⅞pm	3.72
Sweden	11.03¾-11.07¾	11.06¾-11.07¾	¾-¼orepm	0.68	2¼-1¾pm	0.66
Japan	226¼-227¼	226¼-227¼	1¼-1⅛ypm	6.60	3¾-3½pm	6.38
Austria	22.70-22.85	22.75-22.80	12¼-11¼grospm	6.16	35¼-32¼pm	5.94
Switzerland	2.70-2.71½	2.70-2.71	1⅛-1⅝cpm	7.49	5-4⅞pm	7.30

Belgian rate is convertible francs. Financial franc 68.70-68.80. Six-month forward dollar 1.99-1.88cpm 12 month 3.30-3.20pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

August 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6835-1.6955	1.6905-1.6915	0.40-0.37cpm	2.73	1.13-1.08pm	2.61
Ireland†	1.3985-1.4060	1.4000-1.4010	0.13-0.18cdis	-1.33	0.40-0.50dis	-1.28
Canada	1.2150-1.2275	1.2250-1.2260	0.13-0.16cdis	-1.44	0.40-0.43dis	-1.37
Netherlands	2.1600-2.1695	2.1610-2.1620	0.52-0.50cpm	2.82	1.67-1.64pm	3.05
Belgium	40.05-40.25	40.05-40.15	6.50-4.50cpm	1.64	17.00-13.00pm	1.49
Denmark	7.30¾-7.34¾	7.32-7.32½	0.20-0.10orpm	-0.25	1.35-0.75pm	0.57
W. Germany	1.9125-1.9220	1.9150-1.9160	0.51-0.48pfpm	3.09	1.56-1.51pm	3.20
Portugal	154¾-155¾	154¾-155	50-80cdis	-5.03	125-225dis	-4.51
Spain	125.30-125.95	125.60-125.70	15-25cdis	-1.91	55-65dis	-1.91
Italy	1413-1419¾	1416¾-1416¾	1.40-2.40liredis	-1.61	6.50-8.50dis	-2.12
Norway	6.94¾-6.98¾	6.95¾-6.96	2.70-2.85oredis	-4.78	8.10-8.30dis	-4.71
France	6.45¾-6.49¾	6.47¾-6.48¾	0.60-0.50cpm	1.02	1.70-1.45pm	0.97
Sweden	6.53-6.56¾	6.54¾-6.54¾	1.10-1.20oredis	-2.11	3.15-3.35dis	-1.99
Japan	134.35-134.75	134.40-134.50	0.46-0.43ypm	3.96	1.31-1.26pm	3.82
Austria	13.45¾-13.52	13.49¾-13.49¾	4.00-3.00gropm	3.11	12.00-10.00pm	3.26
Switzerland	1.5970-1.6070	1.5985-1.5995	0.66-0.62cpm	4.78	1.89-1.84pm	4.65

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 40.60-40.70.

EURO-CURRENCY INTEREST RATES

Aug.10	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10⅝-10½	10⅝-10½	10 13/16-10 11/16	11 3/16-11 1/16	11¼-11⅛	11½-11¼
US Dollar	7⅞-7⅝	8-7⅞	8⅛-8	8⅜-8¼	8⅝-8½	9-8⅞
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible]; three years [illegible]; four years [illegible]; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]										

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Rates up in Europe

INTEREST RATES in West Germany have not been high enough to support the D-Mark recently.

The rise in US and British interest rates this week has made the situation even more acute, and there may have been a hint from the Bundesbank yesterday that the West German central bank is considering a further tightening of its credit stance.

The rate at this week's securities repurchase agreement tender was set at an unchanged 4.25 p.c. on Tuesday morning, before the US Federal Reserve increased its discount rate.

UK clearing bank base lending rate 11 per cent from August 8

But at the tender the Bundesbank accepted bids of only DM17.6bn. This failed to replace the DM18.8bn draining from the banking system, as an earlier agreement expired.

It also failed to compensate for money being sucked from the market because the Bundesbank has been buying D-Marks on the foreign exchanges.

Dealers were looking for an allocation of at least DM20bn. Credit conditions tightened, and call money rose to 5 p.c., in line with the Lombard emergency financing rate.

In London interest rates had a firm tone, after the US discount rate increase. Three-month sterling interbank rose to 11⅛-11⅛ p.c. from 11⅛-11⅛ p.c.

The Bank of England initially forecast a money market shortage of £400m, but revised this to £350m at noon, and to £300m in the afternoon.

Before lunch the authorities bought £293m bills outright, by way of £79m bank bills in band 3 at 10⅞ p.c.; £5m local authority bills in band 4 at 10⅞ p.c.; and £209m bank bills in band 4 at 10⅞ p.c.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £300m, with Exchequer transactions absorbing £5m, and a rise in the note circulation £110m. These factors outweighed bank balances above target of £30m.

In Amsterdam Dutch Central Bank also appeared to point towards tighter credit policy. The tender on special advances was set at an unchanged 5 p.c., but the central bank accepted bids of only Fl 4.3bn, against expectations of Fl 5.0bn In Brussels the trend continued as the Belgian National Bank raised the interest rate on key three-month Treasury certificates by 0.15 p.c. to 7.25 p.c. One and two-month rates were increased by the same amount to 6.90 p.c. and 7.05 p.c. respectively.

FT LONDON INTERBANK FIXING

[illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

[illegible]

LONDON MONEY RATES

[illegible]

Treasury Bills [illegible] Finance Houses Base Rate [illegible] Deposits withdrawn for cash ½ per cent.

FINANCIAL FUTURES

Short sterling in new territory

LONG GILTS futures finished little changed, and towards the top of the day's range on the Liffe market yesterday. Dealers said the authorities were probably relieved at the result of the gilt auction, where bids covered the available £750m of stock over three times, and the average yield was only 10.37 p.c.

It was suggested that market makers may have gone into the auction short, but there is little or no retail interest for the stock on the present yield, when cash rates are more attractive.

Short sterling futures closed near the bottom of the day's range, in a market lacking chart based guidance. The contract has broken out of its previous trading range, following the rise in interest rates this week.

The last time that base rates were so high was nearly eighteen months ago. There are therefore no chart points for the market to trade on, and this has left the contract running ahead of the cash market.

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE FT-SE INDEX FUTURES OPTIONS

[illegible]

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

CURRENCY FUTURES

[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Aug. 88 Vol	Aug. 88 Last	Nov. 88 Vol	Nov. 88 Last	Feb. 89 Vol	Feb. 89 Last	Stock
[illegible]								
NAT.NED. C	Fl. 70	371	1.10 B	106	2.60	12	4	Fl. 64.80
NAT.NED. P	Fl. 65	64	3.50	9	4.50	-	-	Fl. 64.80
PHILIPS C	Fl. 35	501	0.80	194	1.80	71	2.60 A	Fl. 32.40
PHILIPS P	Fl. 30	309	0.90	193	2	55	3	Fl. 32.40
ROYAL DUTCH C	Fl. 250	1790	5.30	245	9.50	20	14 A	Fl. 244.50
ROYAL DUTCH P	Fl. 230	553	3.50	189	6	20	8.50	Fl. 244.50
UNILEVER C	Fl. 120	1374	4	374	6.60 B	28	9.50	Fl. 116
UNILEVER P	Fl. 110	835	2.50	143	5.30 A	5	7.50	Fl. 116
WESSANEN C	Fl. 80	151	2.90	28	4.50	3	5.80	Fl. 78

TOTAL VOLUME IN CONTRACTS : 51,616

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%
ABN Bank	11
Adam & Company	11
AAB - Allied Arab Bk	11
Allied Irish Bank	10½
Henry Ansbacher	11
ANZ Banking Group	11
Associates Cap Corp	10
Authority Bank	11
B & C Merchant Bank	11
Banco de Bilbao	11
Bank Hapoalim	11
Bank Leumi (UK)	10½
Bank Credit & Comm	11
Bank of Cyprus	11
Bank of Ireland	11
Bank of India	11
Bank of Scotland	11
Banque Belge Ltd	11
Barclays Bank	11
Benchmark Bank PLC	11
Berliner Bank AG	11
Brit Bk of Mid East	11
● Brown Shipley	11
Business Mtge Tst	11
CL Bank Nederland	11
Central Capital	11
● Charterhouse Bank	11
Citibank NA	11
City Merchants Bank	11
Clydesdale Bank	11
Comm.Bk.N.East	11
Co-operative Bank	*11
Coutts & Co	11
Cyprus Popular Bk	11
Dunbar Bank PLC	11
Duncan Lawrie	11
Equatorial Bank plc	11
Exeter Trust Ltd	11½
Financial & Gen. Sec	10½
First National Bank Plc	11½
● Robert Fleming & Co.	11
Robert Fraser & Ptnrs.	12
Girobank	11
Grindlays Bank	11
● Guinness Mahon	11
HFC Bank plc	11
● Hambros Bank	11
Heritable & Gen Inv Bk	11
● Hill Samuel	§11
C. Hoare & Co.	11
Hongkong & Shangh	11
● Leopold Joseph & Sons	11
Lloyds Bank	11
Meghraj Bank Ltd	11
Midland Bank	11
Mount Bnkg Corp.	11
Nat Bk. of Kuwait	11
Nat Westminster	11
Northern Bank Ltd	11
Norwich Gen. Trust	11
PRIVATbanken Limited	11
Provincial Bank PLC	12
R. Raphael & Sons	11
Roxburghe G'rantee	11½
Royal Bk of Scotland	11
Royal Trust Bank	11
Smith & Willmsn Secs.	11
Standard Chartered	11
TSB	11
UDT Mortgage Exp	‡11.45
United Bk of Kuwait	11
United Mizrahi Bank	11
Unity Trust Bank Plc	11
Western Trust	11
Westpac Bank Corp.	11
Whiteaway Laidlaw	11½
Yorkshire Bank	11

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 4.38% Savewise 7.16%. Top Tier-£10,000+ instant access 9.0% ‡ Mortgage base rate. § Demand deposit 6%. Mortgage 10.875% - 11.25%

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

I.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

FT 30	FTSE 100	WALL STREET
Aug. 1473/1482 -17	Aug. 1829/1839 -21	Aug. 2046/2058 -24
Sep. 1474/1483 -17	Sep. 1830/1840 -21	Sep. 2052/2064 -24

Prices taken at 5pm and change is from previous close at 9pm

JOTTER PAD

CROSSWORD

No. 6,705 Set by DANTE

ACROSS
1 When I'd enter the fight (6)
4 Be sorry for the river bird (6)
8 Argue about being put in the wrong side (7)
9 Desire in one's child to become a doctor (7)
11 It is involved in hot matters (10)
12 Fail to get a girl's address (4)
13 Shelter from snow (5)
14 Girl executed in the bull-ring (8)
16 Given away (8)
18 Calms and sends to sleep (6)
20 A meeting of hands express approval (4)
21 Possibly a good tryer? That's somewhat disparaging (10)
23 Can be converted into capital money (7)
24 Dynamic propositions to be voted upon (7)
25 Very up-to-date conclusion in an essay (6)
26 Article getting serious towards the end (6)

DOWN
1 Couturier holds one in trust (5)
2 I'm over the danger, though put in jeopardy (7)
3 Stray moon about? Experts in it should know (9)
5 The innocent rise up and start the break (5)
6 Troops didn't finish the course (7)
7 Where rash Scots get mixed up with the tourists? (9)
10 One who helps to shed the load (9)
13 The present perfect? (5,4)
15 One girl is converted in churches (9)
17 Substitute one fabric with another (7)
19 Window in the French garret (7)
21 A number kept perfectly cool and took a gamble (5)
22 How to arrest wear in a new engine (3,2)

Solution to Puzzle No.6,704

[illegible]

GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♠ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB Unit Trusts (y) (1000)F						
Charlton Pl, Andover, Hants SP10 1RE 0264 63434						
TSB American	5	99.40	99.40	105.56	-0.10	1.89
Do Accum	5	106.80	106.80	113.43	-0.10	1.89
TSB Brit Growth	5	55.58	55.58	59.13	-0.40	2.96
Do Accum	5	57.38	57.38	61.04	-0.50	2.96
TSB European	5	48.91	48.91	52.10	-0.20	1.24
Do Accum	5	50.25	50.25	53.61	-0.29	1.24
TSB Extra Income	5	150.71	151.69	162.32	-0.99	5.60
Do Accum	5	189.68	190.91	203.04	-1.24	5.60
TSB Smaller Cos	5	55.53	57.18	60.83	-0.34	1.13
Do Accum	5	56.07	57.76	61.45	-0.34	1.13
TSB General	5	178.79	179.37	190.77	-1.53	3.17
Do Accum	5	309.41	310.38	330.14	-2.66	3.17
TSB Gilt & Fxd Int	3½	47.27	47.27	48.88	-0.17	8.83
Do Accum	3½	71.36	71.36	73.81	-0.25	8.83
TSB Income	5	265.36	266.57	283.53	-2.16	4.64
Do Accum	5	443.35	445.58	473.93	-3.60	4.64
TSB Pacific	5	210.77	211.88	225.32	-1.77	0.31
Do Accum	5	219.14	220.31	234.27	-1.84	0.31
TSB International	5	323.63	324.82	345.34	-3.62	0.95
Do Accum	5	407.04	408.35	434.41	-4.56	0.95
TSB Nat Resources	5	63.53	63.53	67.54	-0.50	1.37
Do Accum	5	66.77	66.77	71.03	-0.50	1.37
TSB Scud Opps	5	82.77	82.77	88.05	-0.82	2.27
Do Accum	5	93.29	93.29	99.24	-0.93	2.27
3i Unit Trust Managers Ltd (1000)F						
3i Homer Rd, Solihull, B91 3QA 01-426 3356						
Small Co's	5	50.25	50.75	53.56	+0.02	–
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury, Bucks. Admin. 0296 394000 Dealing: 01-379 0860						
American Eagle	5	63.50	63.50	68.04	-0.61	0.67
Australia	5	8.215	8.220	8.710	[illegible]	0.10
Commodity	5	81.31	81.31	87.44	-1.95	0.37
Convertible	5	147.2	147.2	158.7	-1.6	4.82
Equity	5	149.8	149.8	161.1	-3.2	3.24
Euro Spec Sits	5	77.79	77.79	83.78	-1.15	1.63
Financial	5	31.79	32.26	34.77	-0.30	1.96
Global Opps Inc	5	57.48	57.48	62.08	-0.44	0.60
Global Opps Acc	5	57.48	57.48	62.08	-0.44	0.60
Gold Income	5	53.59	53.59	57.53	-1.31	0.00

	Bid Price	Offer Price	+ or -	Yield Gross
MIM Ltd				
Mngd Pens (Acc)	58.5	59.2	-0.1	0.80
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Aug 10	40.3	41.9	+0.0	2.16
Euro Expt Aug 10	39.7	41.6	+0.0	2.23
F'xed Int Ex Aug 10	48.7	51.1	+0.0	9.49
Japan Expt Aug 10	53.5	55.7	+0.0	0.57
Managed Ex Aug 12	40.1	41.7	-0.1	4.24
SE Asia Expt Aug 10	40.1	42.1	+0.0	2.07
Sm Cos Expt Aug 10	45.4	47.6	+0.0	2.53
UK Eqty Ex Aug 10	37.1	38.9	+0.0	3.78
New Court Property Fund Managers				
NC Property	189.5	199.5	–	–
Phillips & Drew Fnd Management Ltd				
PDFM Small Co Fd	812.0	862.0	–	3.50
Do Accum	838.0	890.0	–	3.50
PDFM Int Expt Aug 4	125.8	127.8	–	2.70
J. Rothschild Fund Managers Ltd				
Intl Exempt	93.19	94.40	–	3.00

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Society				
Investment Mngt. N & G Ins Mngt Ltd				
AA Friendly Sy July 8	–	141.4	–	–
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	251.2	264.5	–	–
Equity Ser. 1	116.0	123.1	-0.9	–
Prop. Acc. Ser 2	363.7	382.9	–	–
Equity Ser 2	132.7	139.7	-1.1	–
Selective Acc.	289.7	305.0	-1.5	–

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

	Bid Price	Offer Price	+ or –	Yield Gross
Phoenix Assurance Co Ltd				
Phoenix House, Redcliff Hill, Bristol 0272 294941				
Life Assurance Funds				
Wealth Assd	393.4	414.2	–1.9	–
Eb'r Ph. Eq.	347.0	369.3	—	–
Pension Plan Funds				
Phoenix				
UK Equity Acc.	173.7	182.8	–1.6	–
International Acc.	142.5	149.9	–0.9	–
Property Acc.	142.2	149.6	—	–
Fixed Interest Acc.	155.2	163.3	–0.6	–
Money Acc.	142.3	149.7	—	–
Bldg Soc Link Acc.	139.3	146.6	—	–
Special Mnged Acc.	154.8	162.9	–1.1	–
Phoenix/Framlington				
Intnl Growth Acc.	91.30	96.10	–0.20	–
Am Smllr Cos Acc.	88.90	93.50	+0.20	–
Capital Tst Acc.	180.5	189.9	–0.9	–
Japan & Gen Acc.	195.7	206.0	–3.2	–
American Tsm Acc.	96.70	101.7	—	–
Recovery Tst. Acc.	185.4	195.1	–1.9	–
Special Mngd Acc.	152.7	160.7	–0.9	–
Phoenix/GT				
International Acc.	136.2	143.3	–0.6	–
US & General Acc.	89.60	94.30	—	–
Amer Spec Sits Acc.	67.90	71.40	–0.10	–
Japan & General Acc.	192.2	202.3	–2.2	–
Far East & Gen Acc.	144.4	152.0	–1.5	–
UK Capital Acc.	184.7	194.4	–1.6	–
European Acc.	143.4	150.9	–0.7	–
Special Mngd. Acc.	131.7	138.6	–0.9	–
Pioneer Mutual Insurance Co Ltd				
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655				
Managed Fund	271.6	285.9	–2.0	–
Max Pens Inc & Cap Fds	348.9	367.3	–3.4	–
Money Fund	113.6	119.6	–0.1	–
Pens Mngd Fd (Unit)	91.7	96.6	–0.6	–
Pens Mngd Fd (Acc)	105.8	111.4	–0.6	–
Pens FT30 Fd (Unit)	130.2	137.1	–0.7	–
Pens FT30 Fd (Acc)	150.2	158.2	+1.1	–
Pens O'seas MgFd(Unit)	61.4	64.7	–0.5	–
Pens O'seas MgFd(Acc)	70.8	74.6	–0.1	–
Pens Fxd Int Fd (Unit)	107.9	113.6	–0.4	–
Pens Fxd Int Fd (Acc)	124.5	131.1	+0.7	–
Pens Deposit Fd (Unit)	101.6	107.0	[illegible]	–

	Bid Price	Offer Price	+ or –	Yield Gross
Provident Mutual Life Assc. Assn.				
Willian Rd, Hitchin, Herts SG4 0LP 0438 739000				
Managed Ord	290.5	305.8	–2.4	–
Managed Init.	240.1	252.7	–2	–
Equity Ord	417.2	439.2	–4.9	–
Equity Init.	344.8	362.9	–4.2	–
Index Linked Gilt Ord.	122.3	128.7	–0.8	–
Index Linked Gilt Init.	105.6	111.2	–0.5	–
Overseas Equity Ord.	235.4	247.8	–2.4	–
Overseas Equity Init.	211.1	222.2	–2	–
Property Ord.	168.4	177.3	–	–
Property Init.	139.2	146.5	–	–
Fixed Interest Ord.	169.4	178.3	–0.6	–
Fixed Interest Init.	140.0	147.4	–0.5	–
Deposit Ord.	135.0	142.1	–	–
Deposit Init.	111.6	117.5	–	–
Pension Funds				
Managed Ord.	352.0	370.5	–3.4	–
Managed Init.	291.0	306.3	–2.8	–
Equity Ord.	526.6	554.3	–7.4	–
Equity Init.	435.3	458.2	–6	–
Pen Ind Lkd Gilt Ord	131.7	138.6	–0.8	–
Pen Ind Lkd Gilt Init.	113.7	119.7	–0.6	–
Overseas Equity Ord.	289.3	304.5	–3.2	–
Overseas Equity Init.	239.1	251.7	–2.6	–
Property Ord.	196.3	206.6	–	–
Property Unit.	162.2	170.7	–	–
Fixed Interest Ord.	191.5	201.6	–0.7	–
Fixed Interest Init.	158.3	166.6	–0.7	–
Deposit Ord.	168.1	176.9	–	–
Deposit Init.	138.9	146.2	–	–

For Provincial Life Ass Co Ltd see Prolific Life & Pensions Ltd

	Bid Price	Offer Price	+ or –	Yield Gross
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 01-405 9222				
Prufund				
Managed Aug 10	209.5	218.3	+0.5	–
Prudential Holborn Life Ltd				
30 Old Burlington St, London W1X 1LB 01-439 3134				
Managed	445.7	469.2	–1.8	–
Equity	905.0	952.7	–2.9	–
International	[illegible]	322.2	–2.8	–

Premium Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Ass. Co Ltd

Provident Life Assoc Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd.

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plan.) Ltd

The Analysis Group PLC

University Medical General Ltd.

J. B. Ward Financial Services Ltd

Advisa Insurance Brokers (Life & Pens)

Atticus Financial Services Ltd

Blackstone Franks Plc

Bryan Watts & Partners Ltd

Cameron Law & Company Ltd

James Campbell & Son Financial Services

Chase de Vere Investments Ltd

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Stock	Yield Int.	Yield Red.
Redemption 3pc 1986-96	3.03	8.00
Treas. 9½pc '88	9.53	10.84
Treas 11½pc 1989	11.46	10.77
Treas 9½pc Cnv 1989	9.58	10.67
Treas 3pc 1989	3.10	7.52
Treas 10½pc 1989	10.52	10.66
Exch. 10pc 1989	10.06	10.65
Exch 11pc 1989	10.97	10.66
Treas 5pc 1986-89	5.24	9.07
Exch 10¼pcCv '89	10.24	10.08
Treas 13pc 1990	12.57	10.32
Exch 11pc 1990	10.90	10.30
Exch. 12½pc 1990	12.15	10.49
Treas. 3pc 1990	3.28	8.43
Treas 8¼pc 1987-90	8.51	10.06
Treas. 8pc Cv 1990	8.17	9.18
Treas. 10pcCv 1990	10.06	10.30
Exch 2½pc 1990	2.82	7.98
Treas 11¾pc 1991	11.53	10.32
Funding 5¾pc '87-91	6.25	9.24
Treas. 3pc 1991	3.53	8.04
Treas 10pc Cv '91	9.93	9.93
Exch. 11pc 1991	10.78	10.24
Treas. 8pc 1991	8.52	10.18
Treas 12¾pc 1992	10.55	10.15
Treas 10pc 1992	10.05	10.15
Treas. 8pc 1992	8.56	10.16
Treas 10½pc Cv 1992	10.31	10.18
Treas. 3pc 1992	3.53	7.98
Exch. 12¼pc '92	11.52	10.27
Exch 13½pc 1992	12.27	10.30
Treas 8¾pc 1993	8.87	10.19
Treas 10pc 1993	10.05	10.11
Treas 12½pc 1993	11.47	10.13

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1987: 103.4 and for June 1988: 106.6

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

	Gross	Net	Cr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
CAFCASH Call Fund	9.75	7.48	10.26	3-mth
CAFCASH 7-day Fund	9.91	7.60	10.43	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.80	—	10.17	3-Mth
Gartmore Money Management Ltd				
61 Queen St, London, EC4R 1PH. 01-236 1425				
Call Fnd	10.27	7.88	10.72	6-Mth
7-day Fund	9.68	7.43	10.33	6-Mth
Dollar	6.62	5.08	6.91	3-Mth

Money Market Bank Accounts

	Gross	Net	Cr Equiv CAR	Int Cr
AAB-Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-629 6802				
HICA (£2000+)	11.00	8.40	11.70	Mth
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	7.10	9.72	Qtr
Mth Int Chq £1000-£5000	9.00	6.91	9.51	Mth
Mth Int Chq £5,000+	9.25	7.10	9.72	Mth
Bank of Ireland				
36 Queen St. EC4R 1BN. 01-329 4500				
2,000-9,999	10.423	8.000	10.991	Qtr
£10,000+	10.749	8.250	11.345	Qtr
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01 601 6746				
Money Mkt Cheque Acc	10.00	7.67	10.60	Mth
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	9.00	6.875	9.40	Qtr
Benchmark Bank PLC Premier Account				
9 Henrietta Place, W1M 9AG. 01-631 3313				
£2,500-£10,000	9.50	7.29	9.90	6-mth
£10,001-£20,000	9.75	7.48	10.16	6-mth
£20,000+	10.00	7.68	10.44	6-mth
Brown Shipley & Co Ltd				
Founders Court, Lothbury, London EC2. 01-606 9833				
Demand Acc	9.45	7.25	9.94	Qtr.
Charterhouse Bank Limited				
1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	9.00	6.91	9.51	Mth
U S. Dollar	6.50	4.99	6.81	Mth
German Marks	3.50	2.60	3.63	Mth
Swiss francs	2.00	1.45	2.06	Mth
Japanese Yen	3.00	2.30	3.10	Mth
Citibank Savings				
St Martins Hse, Hammersmith Grove W6 01-741 4941				
Money Market Plus				
£2,000-£24,999	8.00	6.25	8.58	Mth
£25,000	8.50	6.75	9.28	Mth
Clydesdale Bank PLC				
30 St Vincent Place, Glasgow G1 2HL 041 248 7070				
High Int Chq Acc	9.625	7.375	10.2	Qtr
Co-operative Bank Top Tier				
78-80 Cornhill EC3 01-626 6543				
£1,000-£2,499	8.28	6.35	8.61	Qtr
£2,500-£9,999	9.38	7.20	9.77	Qtr
£10,000+	9.78	7.50	10.20	Qtr
Dartington & Co Ltd				
9 The Crescent, Plymouth PL1 3AB 0752 673873				
Money Mkt Acc	9.25	7.10	9.72	Qtr
Financial & General Bank plc				
13 Lowndes Street, London SW1X 9EX 01-235 0036				
H.I.D.A. £5,000-£15,000	9.55	7.312	10.02	Qtr
H.I.D.A. £15,000+	9.80	7.500	10.19	Qtr
Gartmore Money Management Ltd				
61 Queen St, London EC4R 1PH 01-236 1425				
Money Mngt. Acct.	10.125	7.77	10.66	3 Mth
Girobank plc High Interest Cheque Acc				
10 Milk St., London EC2V 8JH 01 600 6020				
£1,000-£3,999	8.0	6.75	9.00	Yearly
£4,000-£9,999	9.0	7.0	9.33	Yearly
£10,000+	10.0	7.8	10.40	Yearly
Grofund Inv Mngrs/Allied Irish Bank				
High Interest Cheque Account				
Pinners Hall, 8-9 Austin Friars, London EC2N 2AE				
£1,500+	9.80	7.52	10.36	Qtr
Hambroclyde Finance Group				
Chalky Ct., Winchester Rd, Basingstoke 0256 846833				
£250-£2,500	8.50	6.52	8.80	Qtr
£2,500+	10.50	8.06	10.99	Qtr
Lloyds Bank High Interest Cheque Account				
71 Lombard St, London EC3P 3BS 01-407 1000				
£1,000+	7.70	6.10	8.36	Mth
£5,000+	8.20	6.50	8.93	Mth
£10,000+	8.70	6.90	9.50	Mth
£50,000+	9.20	7.30	10.07	Mth
M & G/Kleinwort Benson				
M & G Hse., Victoria Rd, Chelmsford 0245 266266				
H I.C.A (£2,500+)	9.50	7.29	10.05	Daily
Midland Bank plc				
PO Box 2 Sheffield. 0742 528655				
High Int Chq Acc	8.79	6.75	9.23	Qtr
£10 000+	9.12	7.00	9.58	Qtr
M.I.M. Britannia Ltd				
11 Devonshire Square EC2M 4YR 01-626 3434				
Cater Allen	9.50	7.2913	10.0533	Mth
NatWest Special Reserve Account				
41 Lothbury, London, EC2P 2BP 01-726 1000				
£2 000 to £9,999	9.25	6.875	9.17	Qtr
£10 000 and above	9.50	7.25	9.67	Qtr
Phillips & Drew Trust Ltd				
120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc	10.125	7.77	10.67	Qtr
Provincial Bank PLC				
30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
H.I.C.A. (£1,000+)	10.0	7.68	10.60	Mth
Royal Bank of Scotland plc				
42 St Andrew Sq, Edinburgh EH2 2YE 031-557 0201				
Premium Account	9.00	6.90	9.45	Qtr
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB. 0708 766966				
H.I.B.A.	9.12	7.00	9.67	Daily
Tyndall & Co Ltd				
29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc	10.12	7.770	10.66	Qtr
Money Acc	9.84	7.55	10.35	Qtr
Client Plus Acc	9.87	7.57	10.39	Qtr
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth 0705 827733				
Special Acc	9.875	7.58	10.46	Mthly
£10,000 and above	10.125	7.77	10.74	Mthly
Western Trust & Savings Limited				
The Moneycentre, Plymouth PL1 5E 0752 224141				
High Int Chq Acc	10.25	7.87	10.8	Qtr
Wimbledon & South West Finance Co Ltd				
114 Newgate St, London EC1 7AE 01-606 9485				
High Int Cheque Acc	10.00	7.68	10.54	Qtr.

NOTES—Gross rate to those exempt from composite rate of tax. Net actual rate after deduction of CRT Cr Equiv CAR: Gross equivalent to basic rate taxpayers-compounded annual rate Int Cr frequency interest credited

UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's opening price. c Yield based on offer expenses. h Today's opening price. h Distribution price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. †† Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. all ex dividend.

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
28⅝	19⅞	Texaco $6.25	27[illegible]	–⅛	+$3.00	—	6.3
60¼	43¼	Time Inc. $1	58[illegible]	–[illegible]	$1.00	—	1.0
20⅞	15⅞	Transamerica $1	19[illegible]	–[illegible]	$1.84	—	5.4
For Transworld see T.W. Services							
20⅛	14½	TRINOVA Corp	15[illegible]	–[illegible]	64c	—	2.4
19	15⅛	USX $1	17[illegible]	–[illegible]	$1.20	—	4.[illegible]
23	17⅝	Utd. Technologies	21[illegible]	–[illegible]	$1.60	—	4.[illegible]
33½	26⅛	US West	32[illegible]	–[illegible]	$3.52	—	6.3
21¼	16⅞	Waste Management $1	21[illegible]	....	40c	—	1.3
16⅞	12⅞	Whirlpool $1	15[illegible]		$1.10	—	4.2
32[illegible]	18¼	♦Woolworth $3½	28[illegible]	–[illegible]	$1.64	—	3.3

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LEISURE

طبق الأصل

LONDON SHARE SERVICE

LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING—Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
31	13	Publishing Hldgs. 5p. y	23	+2	—	—	—	13.8
237	150	Royal Sovereign 10p. y	235	−2	4.6	1.9	2.6	22.0
26	22½	Scott Pickford 10p. y	25	−½	3.1	0.7	16.5	13.0
116	68	Seacon Hldgs. y	115	......	—	—	—	—
15½	13	Sonic Tape 2½p. y	14	−½	—	—	—	18.4
27	18	Staks Hldgs. 5p. y	22	−1	—	—	—	♦
4½	3	Swanyard Studios 1p y	3¼	......	—	—	—	♦
298	200	Takare y	288	......	b1.0	8.1	0.5	29.6
70	41	Theme Holdings y	67	......	♦1.1	♦	2.2	♦
36	26	Tomorrows Leisure 20p y	30	......	—	—	—	♦
25	13½	Tullow Oil 10p. y	18	......	—	—	—	—
135	115	UPL Group 10p. y	122	−3	L2.41	4.3	2.6	16.6
182	120	Unit Group y	182	......	5.0	♦	3.7	♦
125	85	Video Tape Rec 5p. y	120	......	L2.3	2.3	2.6	17.3

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p. y	71	......
Craig & Rose £1. y	780	......
Finlay Pkg. 5p. y	89	......
Holt (Jos) 25p. y	£11¼	−¼

IRISH

Stock	Price	+ or −
Nat. 9¾% 84/89.	£100¼	......
9pc Cap Ln. 1996.	£99½	......
Fin. 13% 97/02.	£119	......
Arnotts y	365	......
CPI Hldgs. y	128	−2
Carrol Inds. y	154	+4
Hall (R. & H.)	156	+1
Helton Hldgs. y	54	−1
Irish Ropes y	165	+5
Unidare y	490	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons.	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen.	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	30
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	38
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property

Stock	p
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils

Stock	p
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines

Stock	p
Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wednesday August 10 1988 Index No	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj 1988 to date	Tue Aug 9 Index No.	Mon Aug 8 Index No.	Fri Aug 5 Index No	Year ago (approx) Index No.
1 CAPITAL GOODS (209)	808.57	−1.2	10.04	3.94	12.36	15.94	818.49	826.39	826.38	954.91
2 Building Materials (29)	1022.36	−1.2	11.14	4.15	11.02	18.65	1034.64	1051.15	1058.10	1218.34
3 Contracting, Construction (37)	1609.94	−0.6	10.31	3.33	12.68	26.91	1620.35	1626.89	1626.77	1731.19
4 Electricals (12)	2175.25	−1.8	8.53	4.58	14.49	40.13	2214.74	2240.27	2241.96	2506.12
5 Electronics (31)	1765.07	−0.9	9.79	3.42	13.11	37.62	1780.20	1798.32	1794.19	2837.33
6 Mechanical Engineering (56)	423.86	−2.0	9.97	4.14	12.46	8.49	432.63	437.20	434.57	523.74
8 Metals and Metal Forming (7)	494.86	−1.4	9.43	3.85	13.09	7.95	502.06	504.80	505.44	546.83
9 Motors (14)	283.76	−2.3	11.53	4.58	10.05	5.54	290.40	294.82	293.68	391.66
10 Other Industrial Materials (23)	1329.77	−0.6	8.88	4.19	13.46	28.21	1337.66	1340.50	1344.44	1591.78
21 CONSUMER GROUP (186)	1097.06	−1.0	8.92	3.59	14.16	17.68	1108.63	1118.61	1115.56	1314.48
22 Brewers and Distillers (21)	1120.76	−1.0	10.42	3.63	12.10	17.80	1131.92	1139.84	1119.75	1178.21
25 Food Manufacturing (21)	994.48	−1.5	8.62	3.67	14.74	17.45	1009.15	1013.03	1010.28	1026.67
26 Food Retailing (16)	1965.19	−1.4	8.30	3.39	14.98	29.07	1993.23	2012.53	2011.53	2450.38
27 Health and Household (12)	1843.52	−0.9	6.75	2.65	17.20	18.01	1861.06	1881.64	1886.80	2555.77
29 Leisure (30)	1374.15	−0.9	8.33	3.65	15.36	24.81	1387.10	1395.36	1391.77	1361.69
31 Packaging & Paper (17)	535.29	−0.7	9.19	3.80	13.95	9.64	538.97	540.00	537.93	679.78
32 Publishing & Printing (18)	3555.43	−1.6	8.03	4.30	15.63	72.37	3611.46	3647.52	3638.80	4424.58
34 Stores (34)	812.88	−0.5	10.10	4.01	13.04	14.57	817.34	829.62	831.47	1072.52
35 Textiles (17)	601.51	−1.1	11.50	4.53	10.21	12.51	607.91	614.11	615.35	808.40
40 OTHER GROUPS (93)	891.34	−1.2	11.16	4.42	10.95	17.93	902.01	909.89	911.88	1130.42
41 Agencies (19)	1081.05	−2.2	8.33	2.52	15.17	17.95	1105.91	1119.23	1123.58	1722.18
42 Chemicals (21)	1064.58	−0.3	11.96	4.77	10.03	25.01	1067.55	1078.57	1085.48	1428.68
43 Conglomerates (13)	1207.60	−1.6	10.57	4.47	10.92	20.98	1227.33	1237.09	1243.92	1468.58
45 Shipping and Transport (12)	1931.58	−2.1	11.13	4.63	11.89	34.04	1973.57	1990.22	1987.88	2287.98
47 Telephone Networks (2)	954.33	−1.0	11.64	4.67	11.15	20.38	963.81	970.09	972.17	1086.88
48 Miscellaneous (26)	1188.12	−1.0	11.49	4.35	9.95	24.64	1199.64	1211.64	1205.67	1635.41
49 INDUSTRIAL GROUP (488)	978.27	−1.1	9.83	3.91	12.66	17.77	989.42	998.43	997.77	1185.75
51 Oil & Gas (12)	1833.63	−1.0	10.86	5.81	11.84	50.45	1853.03	1846.43	1852.87	2280.45
59 500 SHARE INDEX (500)	1050.76	−1.1	9.97	4.17	12.54	20.55	1062.61	1070.40	1070.31	1278.68
61 FINANCIAL GROUP (122)	705.48	−1.1	–	4.91	–	17.45	713.41	718.34	717.55	815.23
62 Banks (6)	670.61	−0.5	21.35	6.51	6.28	24.36	674.11	679.93	676.53	809.72
65 Insurance (Life) (8)	1052.91	−2.5	–	4.76	–	24.97	1079.57	1082.74	1083.61	1111.94
66 Insurance (Composite) (7)	549.49	−1.5	–	5.38	–	13.82	557.66	561.39	562.89	609.94
67 Insurance (Brokers) (7)	973.43	−2.0	9.89	6.54	13.06	31.54	993.45	1003.89	998.16	1297.48
68 Merchant Banks (11)	358.67	−0.7	–	4.03	–	7.03	361.19	362.29	359.65	486.39
69 Property (51)	1232.22	−1.0	5.14	2.63	24.90	14.21	1244.63	1255.59	1257.66	1248.92
70 Other Financial (30)	382.17	−0.6	10.49	5.09	11.94	9.41	384.45	385.56	385.56	562.35
71 Investment Trusts (78)	915.31	−1.0	–	3.03	–	12.35	924.68	933.03	929.74	1128.39
81 Mining Finance (2)	510.50	−2.2	9.38	3.68	12.05	8.12	521.84	527.65	530.77	685.39
91 Overseas Traders (8)	1140.26	−1.7	10.10	4.90	11.63	29.22	1160.35	1172.90	1173.50	1179.32
99 ALL-SHARE INDEX (710)	960.37	−1.1	–	4.25	–	19.36	971.38	978.58	978.32	1168.34

	Index No.	Day's Change	Day's High	Day's Low	Aug 9	Aug 8	Aug 5	Aug 4	Aug 3	Year ago
FT-SE 100 SHARE INDEX ♣	1839.9	−22.7	1859.1	1839.5	1862.6	1876.0	1875.9	1869.7	1865.1	2288.1

FIXED INTEREST

PRICE INDICES	Wed Aug 10	Day's change %	Tue Aug 9	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	120.05	−0.26	120.36	–	7.00
2 5-15 years	135.88	−0.52	136.58	–	8.59
3 Over 15 years	148.24	−0.41	148.84	–	7.45
4 Irredeemables	166.72	−0.59	167.72	–	7.30
5 All stocks	133.64	−0.42	134.20	–	7.92
Index-Linked					
6 5 years	127.80	−0.05	127.87	–	1.12
7 Over 5 years	120.61	−0.28	121.10	0.15	2.28
8 All stocks	121.04	−0.25	121.48	0.14	2.18
9 Debentures & Loans	118.00	+0.01	117.99	–	6.61
10 Preference	92.29	+0.02	92.27	–	3.61

AVERAGE GROSS REDEMPTION YIELDS		Wed Aug 10	Tue Aug 9	Year ago (approx.)
British Government				
1 Low	5 years	9.75	9.62	9.81
2 Coupons	15 years	9.44	9.37	9.64
3	25 years	9.12	9.07	9.65
4 Medium	5 years	10.19	10.07	10.13
5 Coupons	15 years	9.66	9.59	9.91
6	25 years	9.35	9.29	9.75
7 High	5 years	10.30	10.17	10.21
8 Coupons	15 years	9.79	9.74	10.08
9	25 years	9.37	9.34	9.76
10 Irredeemables†		9.69	9.61	9.64
Index-Linked				
11 Inflation rate 5%	5yrs.	2.98	2.95	2.88
12 Inflation rate 5%	Over 5 yrs.	3.87	3.85	3.95
13 Inflation rate 10%	5 yrs.	1.98	1.95	2.71
14 Inflation rate 10%	Over 5 yrs.	3.70	3.68	3.92
15 Debs &	5 years	10.88	10.88	10.78
16 Loans	15 years	10.86	10.86	10.78
17	25 years	10.86	10.86	10.78
18 Preference†		9.77	9.77	10.62

♣Opening index 1854.9; 10 am 1858.1; 11 am 1854.0; Noon 1853.8; 1 pm 1851.8; 2 pm 1844.2; 3 pm 1845.6; 3.30 pm 1847.6; 4 pm 1839.9

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	108	1
Corporations, Dominion and Foreign Bonds	1	28	23
Industrials	175	737	677
Financial and Properties	61	312	282
Oils	24	47	47
Plantations	2	6	5
Mines	9	88	95
Others	49	125	92
Totals	314	1,451	1,222

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Aug 8
- Last Dealings Aug 19
- Last Declarations Nov 10
- For settlement Nov 21

For rate indications see end of London Share Service

Stocks to attract money for the call included Porter Chadburn, United Biscuits, Sears, Noble and Lund, Amersham, Ecobric, British Petroleum, Sovereign Oil and Gas, Eagle Trust, Chartersearch and Fergebrook. No puts were reported, but double options were arranged in Baldwin and Fergebrook.

LONDON TRADED OPTIONS

[illegible]

August 10 Total Contracts 31,877 Calls 20,622 Puts 20,255

FT-SE Index Calls 3125 Puts 3075

*Underlying security price.

LONDON STOCK EXCHANGE

Equities still nervous as Gilts steady

THE SHADOW of the rise in discount rate by the US Federal Reserve hung over a nervous session in the UK securities markets yesterday which ended with share prices falling sharply as Wall Street opened with another setback.

Government bonds, however, rallied from early losses to close steadily, helped by a notable success for the auction of £750m of 1994 stock, and by the firmness of the pound. With sterling indicating a reduced likelihood of another early rise in base rates, some retail interest was seen in Gilts.

Selling pressure remained moderate in the equity market, with several trading houses rejecting suggestions that they had operated "sell" programmes. However, market indices were dragged down by losses in such New York-orientated issues as Consolidated Goldfields, ICI, Glaxo and Shell which has trading figures due today. The fall in Consolidated Goldfields also reflected the fall in bullion prices.

London at first tried to stand up against the overnight falls in the US and Japanese markets. Transatlantic trading houses reported some US demand at first for ICI, British Telecom, Unilever and similar multinational stocks. A fall in Reuters, the international financial news and data agency, on reports that News Corporation may sell its 6.8 per cent stake, was checked by buying from the US.

However, London's confidence was restrained by fears of another shakeout in the New York market, and UK shares abandoned an attempted rally and broke lower as Wall Street showed a 25 point fall in early trading.

At the close, the FT-SE Index was a net 22.7 points down at 1539.9, a fall which eliminated last week's rally in equities. Turnover, while still moderate by historic standards, increased to show a provisional Seaq volume of 442.2m shares, compared with Tuesday's actual 324.5m.

A batch of good trading results from the engineering and insurance industries was brushed aside in the depressed mood of the market.

Gilt-edged stocks concentrated on domestic factors, and in particular on the outcome of the official auction of near-dated stocks.

The sale of 1994 stock proved a triumph for the auction system introduced by the Bank of England as part of the Big Bang restructuring of the market, with the issue covered 3.9 times. The auction yield of 10.37 per cent was in line with market expectations which were shifted this week by higher interest rates on both sides of the Atlantic.

Gilts were easier in early trading but steadied after the auction. Long-dated issues were about a net ½ down finally, with shorts ¼ off. Index-linked stocks followed the market trend.

Account Dealing Dates

Option			
*First Dealings	Aug 1	Aug 15	Sep 5
Option Declarations	Aug 11	Sep 1	Sep 15
Last Dealings	Aug 12	Sep 2	Sep 16
Account Day	Aug 22	Sep 12	Sep 26

*New time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Aug 10	Aug 9	Aug 8	Aug 5	Aug 4	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	87.98	88.31	88.23	88.35	88.37	86.56	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.43	97.91	97.84	97.77	97.68	94.74	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1482.1	1501.1	1514.7	1512.6	1509.5	1775.2	1514.7 (8/8)	1349.0 (9/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	190.4	195.0	196.9	200.4	198.1	440.0	312.5 (7/1)	185.0 (9/8)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Dv. Yield	4.58	4.52	4.43	4.48	4.50	3.25				
Earning Yld. %(full)	11.61	11.46	11.35	11.37	11.42	8.07				
P/E Ratio (Net)( )	10.50	10.63	10.73	10.71	10.68	15.21				
SEAQ Bargains (5pm)	24,952	25,442	26,351	25,828	25,115	3871.3				
Equity Turnover (£m)	-	928.24	854.46	1200.64	1032.63	2085.54				
Equity Bargains	-	24,989	27,051	26,859	26,642	58,135				
Shares Traded (ml)	-	381.3	324.5	355.8	408.7	658.4				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1496.8	1497.6	1494.6	1494.2	1493.2	1485.7	1486.3	1484.3

DAY'S HIGH 1499.1 DAY'S LOW 1481.9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆ Nil 10.40

S.E. ACTIVITY

Indices	Aug 9	Aug 8
Gilt Edged Bargains	134.4	120.7
Equity Bargains	161.8	175.3
Equity Value	1876.22	1727.03
5-Day average		
Gilt Edged Bargains	118.2	114.9
Equity Bargains	164.3	164.9
Equity Value	2042.75	2060.44

London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	2,700	154	-2	Cons. Gold	1,100	988	-31	Land Securities	1,300	571	-4	Rothmans "B"	353	418	-7
Abbey Life	900	331	-5	Cookson	1,300	252	-2	Laporte	175	416	-1	Ryl Bank Scotland	378	359	-4
Allied-Lyons	1,400	418	-2	Courtaulds	845	347½	-3½	Legal & General	1,100	328	-4	Royal Insurance	2,100	395	-5
Amstrad	2,600	224	-4	Dalgety	586	338	-5	Lloyds Bank	556	303	-6	STC	2,100	285	
Argyll Group	919	185	-5	Dee Corporation	1,700	174	-2	LASMO	1,500	403	-6	Saatchi & Saatchi	841	347	-11
Assoc. Brit. Foods	436	319	-2	Dixons	750	180	-3	Lonrho	737	233	-3	Salisbury	1,000	215	-2
BAA	1,200	274	-7	Eng. China Clays	308	485	-2	Lucas	496	545	-10	Scot & Newcastle	2,100	329	-3
BAT	2,600	421	-3	Enterprise Oil	525	482	-2	MEPC	441	545	-1	Sears	12,000	136	+1
BET	3,200	230	-6	FKI Babcock	2,300	132	-4	Marks & Spencer	5,600	169	-1	Shell Transport	1,000	£10⅛	-⅛
BICC	354	358	-8	Fisons	612	251	-3	Maxwell Comm.	553	215	-2	Slough Estates	1,000	299	-2
BOC	759	413	-4	General Accident	625	919	-16	Metal Box	1,700	234	-1	Smith & Nephew	2,500	122½	+½
BPB Inds	1,700	285	-7	General Elect.	5,000	161	-2	Midland Bank	598	425	-1	Standard Chart	1,200	518	+14
BTR	2,200	287	-1	Glaxo	1,400	953	-11	NatWest Bank	784	553	-2	Storehouse	726	231	-3
Barclays	1,600	407	-3	Globe Investment	246	143½	-1½	Next	1,950	232	-7	Sun Alliance	1,000	993	-5
Bass	454	771	-14	Glynwed	369	307	-3	Northern Foods	184	299	-3	T & N	598	185	-2½
Beecham	2,600	486	-6	Granada	1,400	302	-7	Pearson	589	765	-12	TSB	1,700	186	
Blue Arrow	4,000	93	-3	Grand Met	2,700	511	-6	Pearl Group	237	472	-10	Tarmac	2,000	233	-2
Blue Circle	600	454	-6	GUS "A"	408	£10½	+¼	P & O	1,200	578	-13	Tate & Lyle	569	846	-19
Boots	2,500	229		Guardian R.E.	1,200	189	-7	Pilkington	1,700	213	-4	Tesco	1,500	147	-3
Brit. Airways	3,100	152	-6	GKN	2,500	327	-9	Plessey	1,400	161	-1	THORN EMI	988	658	-2
Brit. Aerospace	1,700	491	-6½	Guinness	1,000	326	-5	Prudential	2,900	162	-7	Trafalgar House	941	307	-2
Brit. & Comm.	2,100	244	+5	Hammerson	105	630	-15	Racal	3,800	324	-1	Trusthouse Forte	1,500	252	-5
British Gas	4,200	183½	-1	Hanson	4,200	138½	-2½	Rank Org.	118	719	-6	Ultramar	1,600	288	-2
British Land	515	344	-8	Harrisons & Cros.	165	629	-11	RMC	346	473	-5	Unilever	2,800	466	-9
BP	4,800	255½	-4½	Hawker Siddeley	259	519	-10	RHM	2,800	445	-3	United Biscuits	318	302	-6
Brit. Telecom	3,500	240	-2	Hillsdown Hldgs	2,100	275	-4	Reckitt & Colman	410	923	-15	United News	238	438	-8
Burmah Oil	1,000	539	-6	IMI	166	203	-5	Redland	2,000	429	-5	Wellcome	747	516	-3
Burton	2,400	222	-6	ICI	1,600	£10½		Reed Intl	1,500	436	-10	Whitbread "A"	219	303	
Cable & Wireless	2,400	376	-6	Inchcape	665	209	-7	Reuters "B"	2,300	476	-14	Williams Holdings	1,200	292	-5
Cadbury Schweppes	3,000	380	-10	Jaguar	1,800	278	-5	RTZ	3,700	423	-7	Wimpey	286	233	-1
Coats Viyella	968	233	-2	Ladbroke	3,100	452	-2	Rolls-Royce	1,600	138	-4	Woolworth	196	281	-2
Commercial Union	4,300	371	-7												

Far East chases Standard

Having languished around the 500p mark for much of the session, Standard Chartered shares moved up late in the day to close 14 higher at 518p after turnover of 1.2m with the majority of the buying interest said to have come from the Far East.

Among numerous stories circulating in the market the strongest rumour was that Australian John Spalvins' Adsteam group was about to buy the 14.9 per cent stake held by Bell Group, now under the control of Bond Corporation.

It was also suggested that the major share stakes held by the other so-called "white squires", Sir YK Pao (with 14.98 per cent) and Tan Sri Khoo Teck Puat (7.6 per cent), could soon be on the move.

Earlier this week the market heard hints that Standard may not after all announce a major rights issue along with its interim figures which are expected next Wednesday. Standard said earlier this year it would make a rights issue "when profits would support such an issue". Also doing the rounds yesterday were reports that Standard's results would be much better than expected.

Bats woo Farmers

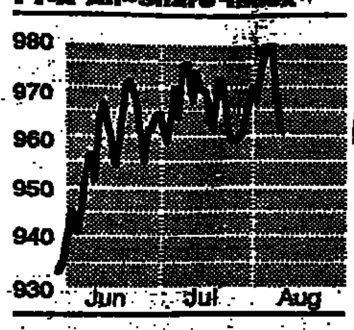
The market responded cautiously to BAT Industries' increased but conditional offer worth $5.1bn for Farmers Group of the US. Although confident that the new $72 a share offer could be the basis for a knockout bid, the City expects the big institutional investors to hold fire until Farmers makes its reply to the latest move by the UK tobacco group. The shares moved narrowly before closing slightly easier on the session at 421p.

Turnover in BATs, usually among the market's more active stocks, was disappointing at 2.6m shares: "noticeably below the level we've come to expect", commented one leading sales trader.

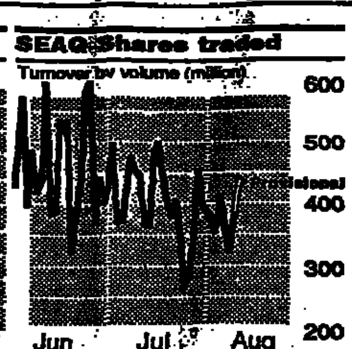
The new BATs bid is conditional on the Farmers board entering into a definitive merger agreement by August 19, at which date the new offer expires, leaving in place the original, unamended offer of $63 a share.

The UK market is waiting to see if the Farmers board will drop moves to block BATs in the US courts. Mr Patrick Sheehy, the BATs chairman, spoke confidently of satisfying US statutory requirements following the Californian Superior Court ruling last weekend.

FT-A All-Share Index



SEAQ Shares traded



Bullish BTR

BTR was underpinned by a rush of favourable comment ahead of the interim results from its Far Eastern subsidiary BTR Nylex due to be announced today. In turnover of 2.2m, the shares edged down a penny to 287p.

Leading the bullish comment was broker County NatWest WoodMac, which pointed out that BTR is a strong buy and raised its 1989 pre-tax profit estimate by £100m to £950m. The projected 1988 impact of BTR Nylex was said to be dramatically better than expected, with a 140 per cent profits increase for the subsidiary forecast by some analysts.

GUS broke free from the rest of the market as renewed support moved the "A" shares up 8 to 1047p. Investors and dealers have responded positively to the company's decision to bring forward the vote on the buy-in proposal to September 2. The move, says the Stores team at County NatWest WoodMac, "suggests that the proposal may not be purely academic - GUS has the cash (£400m) to do it."

The decision reinforces County's belief that GUS are presently undervalued with better quality of earnings than the market realises. Additionally, GUS performed well yesterday in what was a bearish market because they are regarded as a good "defensive" stock, worth buying when the market has turned sharply down. As one marketmaker put it: "They're a port in a storm."

Sears again featured with impressive turnover of stock (12m), but as before marketmakers were unable to put the activity down to anything in particular. Two, possibly three, large buyers stalked the shares throughout the day, reviving speculation that Hanson Trust could be building a stake. Sears ended the day a penny better at 136p. Marks and Spencer, the subject of a gloomy circular from Hoare Govett on Tuesday, held their own after favourable press comment about trading prospects to close just 1 down at 169p on turnover of 5.6m.

Ellis & Goldstein improved a penny to 148p on news that the ERA Group had sold its 4.29 per cent stake. The holding of 1.25m shares changed hands at 145p and dealers guessed that Alexon, the wholesale clothing retailer, bidding for Ellis, was the unnamed buyer.

The steep early decline on Wall Street triggered a similar trend in the oil majors which were additionally unsettled by a bout of nervousness ahead of the second-quarter profit figures expected today, and the weak performance of crude oil prices.

BP, after widespread comment on the move by the Kuwait Investment Office to allay City worries over the near 22 per cent stake, retreated to close a net 4½ down at 255½p after turnover of 4m shares, while the partly-paid slipped 2½ to 56¼p; County NatWest said "the Kuwaiti covenant makes a disorderly dumping of stock extremely unlikely. We are keen buyers of what we consider to be the fundamentally cheaper UK oil major". Second-quarter figures from BP and Shell – finally 15 lower at 1054p – are expected today.

Sovereign Oil provided the day's other major talking point as Finnish State oil group revealed it had upped its stake in the company to 14.9 per cent from the previous figure of less than 5 per cent – "purely an investment", the Finnish group said.

International stocks suffered as dealers tried to evade the downward pressure exerted by Wall Street and Tokyo. On a day of small selling in unimpressive turnover, with much of the business taking place between dealers, buyers were able to sit on the sidelines before nipping in at lower levels.

Reuters set the tone as dealers absorbed reports that Mr Rupert Murdoch is planning to sell his stake to help finance his $3bn bid for Triangle. The shares plummeted to 467½p before revived buying triggered a recovery to 476p, down 14, in turnover of 2.3m.

BOC reported results which dealers said were above expectations and would lead to upgradings. This failed to shake the market's wider pessimism and BOC shares ended 4 lower at 413p. Glaxo fell 11 to 953p, while ICI gave up 9 to 1031p. Turnover in ICI was wildly distorted by a trade of 430 shares which was incorrectly logged as 4.3m.

Merchant banks showed Kleinwort Benson a weak market and finally 5 lower at 378p after County NatWest, the securities house, reduced their full year forecast for the merchant bank by £9m to £71m.

Brewery stocks were mixed, with Irish Distillers jumping 18 to 292p as the market decided that the GC&C bid might give way to an outright bid from either Grand Metropolitan or Allied Lyons. There were accompanying warnings that a further bid would not be substantially above the current level. Grand Met shares fell 6 to 511p, while Allied were 2 lower at 418p.

Scottish & Newcastle remained in the spotlight after the recent announcement of Elders's increased stake. Several sizeable trades led to speculation that Elders was still buying S&N shares which gave up 3 to 329p.

Unilever drifted back with the rest of the market to close 9 cheaper at 466p. The group's second-quarter results are scheduled for next Monday and BZW suggests that profits should show an increase of just over 10 per cent at the pre-tax level to around £380m.

Although this is unlikely to excite the market in the short-term, the outlook for the full year is somewhat better. The securities house is looking for growth at least in line with the market average and believe that the Unilever rating is undemanding.

Bowater, still reflecting a Prudential-Bache buy recommendation, met with further demand and advanced to 439p before closing below the best at 434p for a net gain of 9. But Yale and Valor fell 14 to 460p on the lack of any bid developments.

Awaiting today's interim figures, **Smith and Nephew** was again one of the more actively traded stocks. Volume amounted to some 2.5m with the shares closing a shade better at 122½p; the company has agreed to acquire Albion Group for £33m.

Ruberoid made little reply, at 259p, to bumper interim figures (£6.53m compared with £2.77m) and the defence document giving reasons for rejection of the unwelcome offer from Raine Industries. The latter is not renowned for making hostile bids and one source suggested that a slightly better price may be enough to clinch the deal.

Half-yearly results above most expectations failed to benefit GKN which eased with the rest of the market to close 9 down at 327p. **Simon Engineering**, however, managed to retain an early gain at 284p, after having touched 287p: here, too, the interim figures were well received with the market particularly impressed by the dividend increase.

Vickers closed a few pence down at 173p following the sale of Comforto Group, which manufactures office furniture, for £17.5m. TI, a firm market of late, met with profit-taking and dipped 13 to 344p while comment on the interim figures left T Robinson 14 off at 407p.

Pleasurama was depressed ahead of tomorrow's egm to determine the fate of the Hard Rock bid. The shares fell 7 to 258p in much-reduced turnover of just over 650,000. Dealers reported renewed worries that institutional votes will not be used to support Pleasurama management on Friday. Rumours of a possible counter-bid for Pleasurama from Bass were discounted.

Lack of support forced marketmakers to bring Property stocks down with the market but Speyhawk bucked the trend with a rise of 5 to 315p. Good fundamentals and a feeling that the stock has reached the bottom of its trading range kept Speyhawk going against the traffic, said dealers. In contrast, Hammerson took a hammering from profit-takers and the "A" shares dropped 15 to 630p, Greycoat looked grim – down 5 at 430p – despite buy recommendations from Morgan Grenfell and BZW, and Property Security were propelled 7 lower to 173p after reporting annual profits of £5.83m. The figures were regarded as satisfactory, but unexciting. P&O – a stock which often goes up with the shares of property companies – came down with the sector to close 13 worse on 578p, bringing to an end its recent good run.

British & Commonwealth (B&C) resisted the downturn, supported by the forecast of half-term profits of not less than £80m, compared with £71.1m last year. The news was contained in the formal offer document for Atlantic Computer which also unveiled better-than-expected interim results. B&C shares traded more freely than most Alpha stocks and ended 5 higher at 244p.

Frost Group was a strong climber, gaining 9 in a limited market to 250p. Demand was speculative and did not represent further buying from John Govett, which recently disclosed a stake of 18.5 per cent held under discretionary management.

Overseas Traders became ensnared in the market weakness as short-term operators realised profits made through the recent good advance. **Inchcape** came back to earth, falling 7 to 209p, while **Polly Peck** reacted 6 to 315p and **Harrisons & Crosfield** 11 to 629p.

Business was again brisk in the Traded Options Market, with an impressive 51,877 contracts traded (31,622 calls and 20,255 puts). The FT-SE 100 Index was popular with 3,125 calls and 3,075 puts reported. Also in demand were Plessey, with 3,769 calls and 797 puts, BP with 1,365 calls and 2,654 puts, and British Gas, which notched up 2,426 calls and 1,500 puts.

Other statistics. P 25

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (38).
AMERICANS (4) Amfac, BankAmerica, Inalico, Rep NY Corp., BANKS (1) Wells Fargo, BUILDINGS (2) Hewetson, Vibroplant, CHEMICALS (2) Allied Hldgs., Delmar Hldgs., STORES (4) DAKS Simpson "A", Honeysuckle, Liberty, Upton (E.), ELECTRICALS (2) Pressac, Wayne Kerr, FOODS (4) Barr (A.G.), Batleys, Carr's Millings, Clifford "A" N-Vtg., INDUSTRIALS (6) Erskine House, Macfarlane, Securicor "A" N-Vtg., Somic, Spandex, Whatman Reeve, LEISURE (1) Radio Clyde.

NEWSPAPERS (1) BPP Hldgs., PAPERS (2) Goodhead Print, Southnews, TEXTILES (1) Yorklyde, TRUSTS (4) Brit. Asset 9pc Cv '95, Eng. & Dutch Inv., JF Pacific Wrnts., Intl. Inv. Tst. Jsy., OILS (2) Barrack Energy, Royal Dutch, PLANTATIONS (1) Harrisons Mly., MINES (2) Elders Res., Pan Aust. Mining.

NEW LOWS (89).
BRITISH FUNDS (18) Treas. 11½pc 1989, Treas. 9½pc 1989, Treas. 10½pc 1989, Exch. 10pc 1989, Exch. 11pc 1989, Treas. 3pc 1990, Fund. 5¾pc '87-91, Treas. 3pc 1991, Treas. 12¾pc 1992, Treas. 2pc IL 1994, LOANS (7) BANKS (2) MCorp, Warburg (S.G.), BUILDINGS (1) Warringtons, STORES (2) Hogg Robinson, Owen & Robinson, ELECTRICALS (1) ITL Info. Tech., FOODS (1) Acatos & Hutcheson, INDUSTRIALS (2) Cookson, PCT, INSURANCE (1) PWS Hldgs., LEISURE (1) Hi-Tec Sports, NEWSPAPERS (1) News Intl. Spec. Div., PAPERS (2) Brunning, Saatchi, TRUSTS (5) Derby Tst. Wrnts., Equity Consort, Lowland Inv., Riv. & Merc. Am. Inc. Tst., Tranwood, OILS (1) BP (Ptly-paid), MINES (13) Durban Deep, Modder B Gold, Blyvoor, Deelkraal, Driefontein, Hartebeest, Kloof Gold, Southvaal, Venterspost, Western Deep, Anglo Am. Gold, Welkom Gold Hldgs., Ennex Intl.

APPOINTMENTS

Divisional restructure at NatWest

NATIONAL WESTMINSTER BANK is changing its internal divisional structure, to take effect from January 1, and has made the following key executive appointments. Mr Roger Flemington becomes chief executive, UK financial services - he was general manager, domestic banking division; Mr John Melbourn is made chief executive, corporate and institutional banking - he was general manager, international banking division; Mr John Tugwell is appointed chief executive, international businesses - he was general manager, business development division; and Mr Bert Morris becomes chief executive, support services - he was general manager, management services division. Restructure details, Page 8

■ PERSIMMON has appointed Mr Paul Bell as technical director of Persimmon Homes (North West).

■ Mr Peter Titmus has been appointed divisional managing director of FAIRCLOUGH BUILDING's South East and Anglian division. He was a divisional director in the Southern division.

■ Mr Peter Brooks and Mr Derek York have been appointed to the board of EDMUND NUTTALL. They will be responsible for the central and eastern, and south eastern; and the south western and north western divisions respectively. Mr Michael Bancroft has resigned from the company.

■ GUINNESS has appointed Mr Alain Chevalier, chairman of Moet Hennessy, as a non-executive director.

■ In September Mr Ray Steward joins EXPRESS NEWSPAPERS as group marketing director. He is business development director of McCann-Erikson.

■ Mr Alastair Ritchie has been appointed group managing director of FIFE INDMAR, Kirkcaldy. He joins from Fraser & Partners (Business Managers) where he was a director.

■ FEDERATED HOUSING has appointed Mr Patrick J. Bell as an executive director and group financial controller, and Mr Alex Russell as technical director on the board of Federated Homes, a wholly-owned housebuilding subsidiary.

■ Mr Mike Ward has joined the board of FINANCIAL AND CORPORATE MODELLING CONSULTANTS. He continues as chairman and managing director of the Phoenix Services Group.

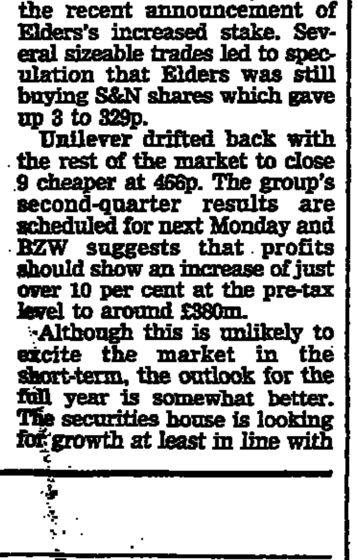
■ We have been asked to point out that Mr Martin Forman is managing director of CHANCERY FACTORS.

■ Mr Jim McCormack has been appointed managing director of WINNETTS GRAPHICS, following the retirement of Mr Peter Winnett. The company is a member of the Brent Chemicals International Group.

■ Mr Adrian Clark, of Ashurst Morris Crisp & Co., is to be seconded to the PANEL ON TAKE-OVERS AND MERGERS as joint secretary from September 12. Mr Peter Kennerley, joint secretary for the past two years, returns to Simmons & Simmons on October 8.

■ ELF AQUITAINE UK (HOLDINGS) has appointed Mr Stephen Huddle as company secretary, and corporate affairs director of Elf UK. He replaces Mr Keith Jameson who has joined Elf Malaysia as managing director. The companies are subsidiaries of Société Nationale Elf Aquitaine.

■ MEGGITT HOLDING's aerospace and defence division has appointed Mr Al Metcalf as president of General Connectors Corporation Inc., Burbank, California. He joins from HyCal Engineering, where he was general manager.



COLGATE-PALMOLIVE UK has appointed its first female director of sales. She is Ms Karen Bamford (above) a 32-year-old management science graduate, who will be responsible for developing Colgate's UK sales and trade marketing policy, running the UK sales force, and increasing product sales. Ms Bamford was previously European project director for Colgate. Before that she was marketing manager for Pepsi in the Netherlands and Ireland.

■ Mr Wallace Stein, a divisional director at MIDLAND GROUP's finance house subsidiary Forward Trust Group, has been appointed managing director of Concord Leasing (UK) following the acquisition of the company from The Hongkong and Shanghai Banking Corporation.

COMMODITIES AND AGRICULTURE

Monsoon relieves India's food fears

K.K. Sharma on rains that should halt a dangerous fall in stocks

CHEERED BY the excellent monsoon, Indian officials are hoping that a record harvest this year will signal the start of a new era of agricultural growth.

For the past four years the country's overall economic development has been held back by agricultural stagnation, with foodgrain production generally hovering around the 150m tonnes mark. And last year the worst drought in a century cut output by 15 per cent to 135m tonnes.

Prospects for this year's "kharif" (summer) season have been brightened by the bountiful monsoon, however, and improved groundwater levels and moisture retention should also help the "rabi" (winter) crops. All in all the officials are thinking in terms of a best-ever total of 166m tonnes for 1988-89.

That would bring welcome relief to the pressure on India's food stocks, which now stand at around 11m tonnes, the lowest level in more than a decade. They would have been even lower but for this year's food imports, which, as the first in eight years, shattered the belief that food self-sufficiency had at last been secured.

India has arranged for the import of 4m tonnes of wheat, mostly from the US, at concessional rates, and another 700,000 tonnes of rice in an attempt to maintain a minimum of 10m tonnes as a buffer against shortages and to sustain the public distribution system.

After some parts of India had been hit by drought for four on five successive years, almost the entire country got almost no rain last year, both during the summer monsoon months and in the winter. Despite the increase in irrigation potential, Indian agriculture remains heavily dependent on monsoon rains and so last year's drought led to a slump in production. Food stocks, which had built up to 24m tonnes, were rapidly depleted.

Imports of wheat and rice, as well as large quantities of cooking oil (because of low oilseeds production) severely strained the country's foreign exchange reserves, which now stand at the critical level of less than three months of total imports. Another poor monsoon would have been disastrous.

As it is, the magnificent monsoon has considerably improved crop prospects and raised hopes that stocks will again be built up to comfortable levels. The Ministry of Agriculture says that so far 34 out of the 35 meteorological subdivisions in the country have received above normal rainfall.

The ministry has already staged an action programme to gear up the 14 main states – which grow 95 per cent of the country's grain – to provide farmers with the necessary inputs, such as fertilisers, pesticides and high-yielding varieties of seeds, as well as adequate credit. Sowing of the kharif crop has now been completed over 82 per cent of the country.

Fortunately, the monsoon has been evenly spread and there have been few of the heavy showers that could damage the young seedlings. If all goes well and there is a break in the monsoon this month and then light rain falls again in September, India should have a record kharif crop. This includes rice, which is particularly important this year since the fall in production in other countries would have made additional imports difficult.

If the kharif comes up to expectations and the production target of 92.5m tonnes is achieved, the Government's procurement agencies will swing into action in October and November to buy up the surplus grain from farmers. By then, the stocks will have fallen to a dangerous level of less than 9m tonnes, but it is hoped that the procurement drive will add around 10m tonnes to the buffer.

Prospects for the rabi are also bright because, even in the absence of winter rain, the moisture retention is expected to be good. Groundwater levels have risen sufficiently to provide irrigation through tubewells that went dry last year in the key northern states of Punjab, Haryana and Uttar Pradesh.

So the rabi crop, which is, in any case, less dependent on rain, could reach a record level of around 65m tonnes. The Government is already taking steps to ensure that the farmers needs for inputs are met well in advance.

Of equal importance is oilseeds production, since imports of cooking oil mean an outflow of scarce foreign exchange of roughly 20bn rupees (about US$1.4bn) a year. A special programme to raise oilseeds production to 18m tonnes next year – a 25 per cent rise over last year – has been launched, involving the use of high yielding varieties of seeds and better technology. If this succeeds, Indian agriculture should be over the hump.

While this year's action programme to raise production in 14 states has been successful, the only rider is that India's slow-moving bureaucracy could become complacent because of the good prospects. In that case, nature alone will not be enough to boost production. Nevertheless, apart from edible oil, India should again be out of the world food market from next year.

CANADIAN GRAIN farmers are pressing the Federal Government for a major aid package to help them battle the hot, arid conditions that threaten to devastate this year's harvest, reports Reuter from Ottawa.

Mr John Wise, the Agriculture Minister, met farm leaders in Saskatoon, Saskatchewan, on Tuesday and the drought was expected to be a major item.

Ottawa has already announced a US$16m water conservation package for farmers and a $127m scheme to help hard-hit livestock producers.

But the Government has yet to announce anything specifically aimed at grain farmers, in spite of predictions that the drought could cost them some $1.6bn in lost income.

Catherine Drew, special assistant to the Minister, acknowledged that the Government was considering ways of helping farmers. But she said Mr Wise wanted to wait until the fall impact of the drought was known before announcing anything.

She said Ottawa would want to see how much farmers would receive from crop insurance before acting.

Cost of EC wine sell-off questioned

By Tim Dickson in Brussels

THE REAL price of draining Europe's vast wine lake could be much higher than hitherto admitted by the European Commission, according to a report in Agra Europe, the specialist weekly magazine.

It quotes a calculation by West Germany's federation of consumer groups (the AgV) that the latest proposal by the Brussels authorities for a major sell-off of the Community's 7.4m hectolitres of unwanted wine alcohol will cost four times the figure given at the time of last month's formal announcement.

Agra Europe itself quotes figures which it attributes to the Commission suggesting that more than Ecu 1.2bn (£770m) inbudgetary credits will be needed to clear the alcohol stocks in 1988-89, compared with the Ecu 330m for depreciation in 1988 mentioned in the official press release and the reference to a "similar amount" for 1989.

A senior Commission official strongly disputes the AgV's calculations claiming that they "load on" historical costs of the regime, but he admits that the Commission communique was oversimplified and that more detailed costings will be published next month.

According to Agra Europe's interview with the unnamed official most of the budgetary credits allocated to wine in 1988 and 1989 are intended to rectify inaccurate Commission accounting in the past. A book value of Ecu 96 per hectolitre had been entered for all EC stocks, which was close to the price of Ecu 100-110 paid for commercial alcohol by the food and drink industry. The Commission was now revaluing its stocks at the "fuel" price.

The AgV claims that for some time 20m hectolitres of table wine or more have been distilled for intervention each year, that the wine spirit surplus was predicted a long time ago and that the bulk of subsidies had been wasted with only a fraction going to the smallest and neediest producers.

US agricultural recession cuts farm population

By Nancy Dunne in Washington

THE NUMBER of people living on American farms dropped by one-sixth between 1980 and 1987, an era encompassing the worst US agricultural recession since the Great Depression, according to a report released by the Agriculture and Commerce Departments.

In one of the most far-reaching recent studies of farm population shifts, the report, entitled "Rural and Rural Farm Population: 1987," the US Census Bureau and the US Department of Agriculture's Economic Research Service concluded that so far in this decade the rural farm population has dropped by about 1m to about 5m.

The report provides the numbers illustrating the devastating effects of the farm recession during which long-held family farms were placed on auction blocks. Between 1980-1987, farmers earned much less than those in the general population, despite the massive outpouring of government farm aid.

In 1986, for example, the median income of farm families was $23,326, just 79 per cent of the non-farm family median of $29,632. And about 46 per cent of the farmers' earnings was from non-farm sources. The largest group of farmers – those with annual sales of less than $40,000 – received 81 per cent of their income from off farm sources.

On the other hand, there has been less unemployment on the farms than in the general population. Only 2.5 per cent of the farm resident labour force was unemployed in 1987 compared with 8.4 per cent of the rural non-farm labour force.

Between 1980 and 1987 farm population declined an average of 2.5 per cent a year. About one in 48 persons lived on a farm in 1987, compared with about a third in 1920. That drop will be reflected in the 1990 census which will result in boundary changes for US Congressional elections, and farmers will receive less representation.

The farm population itself has undergone a tremendous shift. Half of all farm residents lived in the Midwest in 1987, compared with about a third in 1950. The South was the most populous farm region until the mid 1960s, but the farm population there declined rapidly from its 53 per cent share in 1950 to 29 per cent in 1987.

Zircon demand outstrips production

By Kenneth Gooding, Mining Correspondent

WORLDWIDE production of zircon, a metal with an unusually high melting point and mainly used in foundries and in refractories in the steel industry, was outpaced by increasing demand last year and is likely be again in 1988, according to the London Metals Research Unit of Shearson Lehman Hutton.

Consequently, the price of standard grade zircon sand has jumped from A$195 a tonne at the begining of last year to about A$340 a tonne. Premium-grade metal has soared from A235 a tonne to between A$430 and A$750.

Shearson points out that last year worldwide production of zircon was 785,000 tonnes, about 25,000 tonnes down from the 1986 total. "This, together with continuing good industrial demand, was one of the principal reasons for the strong rise in prices," it says.

Another fall in production of about 50,000 tonnes is forecast for this year by Shearson's analysts, Mr Rob Davies and Mr Oliver Messenger.

NZ boffins stamp their mark on dates

Dai Hayward on efforts to revive Bahrain's flagging palm trees

NOTHING IS more symbolic or representative of the Arab world than the stately date palm. And few countries have less in common horticulturally or geographically with most of the Arab world than New Zealand.

But New Zealand Government horticultural scientists are now in Bahrain advising the Arabs on how to grow dates.

Bahrain, a cluster of 33 islands in the Arabian Gulf, covers less than 600 sqare kilometres. Before the discovery of oil in 1932 dates were one of its three main export crops – along with pearls and fish. Now, however, Bahrain has to import dates to supply the local demand.

Bahrain's already poor soil has suffered in recent years from the increased salinity of underground water. Agricultural research can now suggest the most suitable type of date palm to suit local growing conditions, and Bahrain wants to propagate and plant large numbers of improved palms as quickly as possible. This, however, is not easy.

Plants grown from seeds will resemble the parent plant, but, because they have their own set of genes, they will also be different from the parent tree. They may produce more or less fruit, grow taller or shorter, or have other differences.

A cutting, however, is genetically the same as the parent plant, and will resemble it much more closely. But both these methods of planting take time and present problems to the grower.

Now a third option is available: tissue culture. New Zealand Government horticultural research scientists have become world experts in plant tissue culture.

Tissue is taken from the parent plant and placed in a sterile mixture of various nutriments that stimulate root growth. As the small plants start to grow, they can be divided repeatedly, with tiny segments replanted.

Micropropagation – the term for tissue culture when applied to commercial horticulture – also allows for continuous year-long production of new plants, and gives the scientist or grower more scope for developing new lines.

New Zealand scientists sharpened their micropropagation skills when developing a top-class strain of the Australian flower, the waratah, which produces a brilliant, attractive flower. They have been so successful in producing uniform top-quality waratah blooms for export to Japan and Europe that Australian horticulturalists are complaining at New Zealand's exploitation of one of their national flowers. The New Zealanders have obtained plant patent rights to two varieties.

Three years ago the ruler of Bahrain on a visit to New Zealand was captivated by the beautiful, uniform waratah blooms he saw growing. He was even more interested in the details of New Zealand success with tissue culture. He asked a team of New Zealand Government scientists to go to Bahrain to study the tiny kingdom's agricultural industries and, in particular, the possibility of using micropropagation to improve and expand the Arab state's date production.

Last month equipment to set up a laboratory was shipped to Bahrain from New Zealand. New Zealand experts have advised on the research needed, and have helped train local scientists.

Although they are confident Bahrain's date palms will become more productive, producing better quality dates as a result of the tissue culture programme, this will not be achieved quickly or easily.

In spite of their ability to grow in a harsh, unyielding climate, date palms can easily die if the growing tip from which the tissue is taken is cut back too severely.

Date palms, even with tissue culture methods, are also slow to reproduce. The New Zealanders are now working on ways of speeding up the reproductive process.

They are confident, however, that the skill of scientists from New Zealand, where date palms are virtually unknown, will improve the production and quality of Bahrain's date crop.

Africa faces fresh locust threat

A NEW plague of locusts will probably hit much of East and West Africa in about 10 days, an official of the Desert Locust Organisation of East Africa said, reports Reuter from Addis Ababa.

Mr Ahmed Salah Ibrahim said locusts were breeding out of control in a broad swathe south of the Sahara stretching from Mali to northern Ethiopia.

Alcan to expand hydro-electric project

By Robert Gibbens in Montreal

ALCAN ALUMINIUM is going ahead with the long-delayed expansion of its Kemano hydro-electric project in northern British Columbia to provide power for future expansion of its 268,000 tonnes smelter at Kitimat.

The US$480m project will raise Kemano's capacity from nearly 900 megawatts to more than 1.4m megawatts by 1994. No decision has been made about the smelter's expansion, the timing of which will depend on the state of the international aluminium markets, and in the interim Alcan plans to sell any surplus to British Columbia Hydro with the right to recall capacity as needed for the smelter's expansion.

The project completes Alcan's power development in British Columbia under water-rights granted by the province originally in 1950. The first phase, which came on stream in 1954 to support the present smelter, used about half the water rights granted.

Alcan continues to produce normally at Kitimat, while labour negotiations are under way. The negotiations with its Kitimat union have reached the money issue. Company officials said four contract areas have been agreed. The old contract expired on July 24 and talks originally started on May 2.

● Jamaica's bauxite ore production in the first half of this year reached 3.7m tonnes, 3.1 per cent higher than production in the corresponding period of last year, according to the Jamaica Bauxite Institute, writes Canute James in Kingston.

It said exports of raw ore in the first half of this year totalled 1.6m tonnes, 10 per cent less than ore shipments between January and June 1987. Shipments of alumina (aluminium oxide) between January and June this year totalled 850,000 tonnes, 16.8 per cent higher than the first half of 1987. Bauxite output in Jamaica, the world's third largest producer after Australia and Guinea, was 7.7m tonnes last year.

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE PRICES continued this week's advance in morning trading following the overnight gains in New York. Analysts said prices were supported by consolidation above £1,000 a tonne for the November contract on Tuesday, and the market was now testing a chart gap of about £1,030 a tonne. However, late profit-taking erased some of the early advance, leaving the November contract at £1,023 a tonne – up £16 on the day and £43 on last Friday. In *contrast, cocoa prices closed* at session lows after a late and sharp sell-off, tracking a similar decline in New York. Trade talk was circulating of sales from a big West African producer, and sentiment was also overshadowed by the prospect of substantially higher world output in 1988/89. A lower-than-expected fall in IPAI June stocks reversed early gains in aluminium prices on ther LME.

SPOT MARKETS

Crude oil (per barrel FOB September)		+ or -
Dubai	$13.15-3.25y	-0.225
Brent Blend	$15.00-5.05y	-0.25
W.T.I. (1 pm est)	$15.58-5.63y	-0.12
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$171-173	-2
Gas Oil	$129-132	-1.5
Heavy Fuel Oil	$67-69	+1
Naphtha	$135-137	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$427.50	+1.75
Silver (per troy oz)♣	667c	+8
Platinum (per troy oz)	$523.25	+3.10
Palladium (per troy oz)	$123.75	+0.75
Aluminium (free market)	$2825	+90
Copper (US Producer)	99⅝-100c	-1
Lead (US Producer)	36c	
Nickel (free market)	650c	
Tin (European free market)	£4375.0	+2.5
Tin (Kuala Lumpur market)	19.20r	-0.04
Tin (New York)	341.5c	
Zinc (Euro. Prod. Price)	$1200	
Zinc (US Prime Western)	65⅝c	
Cattle (live weight)†	116.20p	-0.06*
Sheep (dead weight)†	187.98p	-23.5*
Pigs (live weight)†	69.16p	-3.01*
London daily sugar (raw)	$303.8x	-0.2
London daily sugar (white)	$285.6x	-2.5
Tate and Lyle export price	£291	+2
Barley (English feed)	£101.00	+0.25
Maize (US No. 3 yellow)	£144	
Wheat (US Dark Northern)	unq	
Rubber (spot)♥	72.25p	
Rubber (Sep)♥	78.25p	
Rubber (Oct)♥	78.50p	
Rubber (KL RSS No 1 Sep)	344m	
Coconut oil (Philippines)§	$605x	
Palm Oil (Malaysian)§	$465X	
Copra (Philippines)§	$430	
Soyabeans (US)	$205	+4
Cotton "A" index	59.55c	+0.40
Wooltops (64s Super)	652p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Sep. q-Oct. w-Jul/Aug. x-Aug/Sep. s-Sep/Oct. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Sep	952	975	972	951
Dec	929	947	945	928
Mar	927	941	940	925
May	940	951	948	936
Jul	955	966	958	955
Sep	969	982	975	966
Dec	1004	1020	1014	1003

Turnover: 5390 (2421) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Aug 9: 1190.47 (1205.68) :10 day average for Aug 10: 1194.89 (1194.40).

COFFEE £/tonne

	Close	Previous	High/Low	
Sep	1013	1002	1025	1010
Nov	1023	1007	1035	1016
Jan	1030	1012	1038	1025
Mar	1033	1021	1040	1028
May	1035	1030	1040	1034
Jly	1045	1037	1049	1040
Sep	1060	1050		

Turnover: 3490 (2285) lots of 5 tonnes. ICCO indicator prices (US cents per pound) for Aug 9 Comp. daily 105.82 (104.26) ; 15 day average 108.74 (109.27).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	265.60	260.00	267.00	258.60
Dec	261.80	260.00	259.00	258.00
Mar	250.00	247.80	252.00	246.60
May	244.00	241.60	242.60	241.40
Aug	237.00	238.00	237.00	
Oct	235.00	238.00		

White	Close	Previous	High/Low	
Oct	282.00	278.50	282.00	278.00
Dec	279.00	276.00	277.00	274.00
Mar	279.50	276.50	280.00	275.00
May	279.00	276.00	278.50	275.00
Aug	278.00	275.00	278.00	275.50
Oct	276.00	275.00	277.00	275.50

Turnover: Raw 1337 (1616) lots of 50 tonnes. White 2145 (1086). Paris- White (FFr per tonne): Oct 1808, Dec 1786, Mar 1785, May 1790, Aug 1795 Oct 1800

GAS OIL $/tonne

	Close	Previous	High/Low	
Aug	128.50	131.75	130.25	127.75
Sep	131.75	133.25	132.00	130.50
Oct	134.00	134.75	134.00	132.50
Nov	135.50	136.50	135.75	134.00
Dec	136.75	137.50	136.75	135.50
Jan	136.50	138.50	136.00	135.00

Turnover 8236 (5859) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Sep	105.90	105.20	105.90	105.50
Nov	109.00	108.20	109.10	108.20
Jan	111.75	110.75	111.75	111.00
Mar	114.30	113.35	114.30	113.85
May	116.85	115.50	116.85	116.25

Barley	Close	Previous	High/Low	
Sep	101.70	101.40	101.75	101.65
Nov	105.00	104.60	105.00	104.60
Jan	108.00	107.50	108.00	107.60
Mar	110.50	109.90	110.50	110.15
May	112.15	111.75	112.15	112.00

Turnover: Wheat 186 (210) , Barley 186 (311) . Turnover lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 2,100 tonne
Cash	2825-35	2770-80		2820-30		
3 months	2740-50	2700-20		2760-70	2740-60	7,381 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 21,475 tonne
Cash	1595-8	1595-600	1637	1637-9		
3 months	1505-7	1510-2	1533/1496	1538-40	1499-500	47,162 lots
Copper, Grade A (£ per tonne)						Ring turnover 27,000 tonne
Cash	1237-9	1244-5	1239/1237	1237-7.5		
3 months	1243-4	1246-9	1246/1239	1242-3	1240-2	64,747 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1200-5	1205-10		1200-5		
3 months	1200-5	1205-10		1200-5		35 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	661-4	656-9		658-61		
3 months	675-8	670-3		672-5		512 lots
Lead (£ per tonne)						Ring turnover 8,150 tonne
Cash	353-5	345-8	355/353	353-4		
3 months	357-8	351-2	358.5/352	357-8	358-9	11,678 lots
Nickel ($ per tonne)						Ring turnover 1,452 tonne
Cash	14600-50	14600-60	14650/14450	14450-500		
3 months	13400-600	13350-400	13400/13250	13250-300	13400-500	6,384 lots
Zinc (£ per tonne)						Ring turnover 8,850 tonne
Cash	750-2	752-4	755/752	752-4		
3 months	743-4	745-7	744.5/740	740-1	740-2	22,825 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	86.8	89.5	86.0	86.5
Feb	80.0	80.0	80.0	79.0
Apr	98.0	101.2	99.5	95.5
May	107.0	112.0	109.0	107.5

Turnover 808 (223) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Oct	173.00	170.80	172.00	171.50
Dec	175.00	173.50	175.50	177.00
Feb	182.00	179.50		
Apr	182.50	180.50		
Jun	173.50	170.00		

Turnover 441 (361) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Aug	1243	1255	1245	1240
Sep	1268	1269	1263	1255
Oct	1465	1446	1469	1445
Jan	1470	1465	1470	1455
Apr	1515	1505	1515	1510
BFI	1191	1180		

Turnover 275 (283)

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	427¼-427¾	253-253½
Opening	427-427½	253-253½
Morning fix	426.95	252.332
Afternoon fix	427.2	252.931
Day's high	428¼-428¾	
Day's low	426-426½	

Coins	$ price	£ equivalent
Mapleleaf	440-445	260¼-263¼
Britannia	440-445	260¼-263¼
US Eagle	440-445	260¼-263¼
Angel	435-443	259¼-262¼
Krugerrand	426-429	252-254
New Sov.	100½-101½	59½-60¼
Old Sov.	100½-102	59½-60¼
Noble Plat	532.5-538.2	315.95-319.3

Silver fix	p/fine oz	US cts equiv
Spot	391.25	660.20
3 months	402.55	674.65
6 months	413.25	690.50
12 months	435.10	720.10

WOOL

Wool prices in Australia are still firm, and in general fluctuations have been fairly narrow. Strength in the Australian dollar remains very important as a contributory reason for the impression of a very dear market. The UK trade is compelled to persist in its attempts to establish higher selling prices despite a dull trading spell and some anxieties about contracting order books. Bradford prices are therefore tending to move into higher ground where there is any change in quotations. As things stand, any buying interest is at prices well below present international costs, and depends on stockpiles, in some instances, competitive imports which are helped by the strength against continental Europe.

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sept	Nov	Sept	Nov
2500	287	112	[illegible]	[illegible]
2700	207	178	[illegible]	[illegible]
2900	[illegible]	[illegible]	[illegible]	[illegible]
Aluminium (99.5%)	**Calls**		**Puts**	
2500	168	69		
2700	113	128		
2900	58	235		
Copper (Grade A)	**Calls**		**Puts**	
2000	122	168	25	86
2100	59	105	65	157
2200	25	72	129	198

US MARKETS

The grains and soybean complex closed firm in response to forecasts indicating further hot, dry weather for the rest of the week, reports Drexel Burnham Lambert. Corn derived strength from the soybeans but also from unconfirmed reports of Soviet interest. Soybean meal was firm on buying interest from the U.S.S.R. for South American meal. Wheat steadied with indications of commercial support. The meats were sharply higher to limit-up as a pick-up in demand led to sharply higher cash prices. The energy complex was easier in early trading on long-liquidation following A.P.I. statistics which were especially bearish for gasoline. However, the markets recovered in light volume with trade buying. The precious metals were firm against a weaker U.S. dollar on light trade and commission house buying. Copper rallied on arbitrage and trade buying. Coffee strengthened in response to a firmer physical undertone with commission house buying and short-covering. Sugar eased in early trading, testing recent lows with commission house selling but rallied back as trade buying emerged forcing short-covering.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	429.2	427.4	429.5	426.5
Sep	430.9	429.3	0	0
Oct	433.7	432.1	434.0	430.8
Dec	439.4	437.8	439.7	436.5
Feb	445.4	443.8	445.0	442.4
Apr	451.3	449.6	451.0	448.5
Jun	457.2	455.5	456.2	456.2
Aug	463.2	461.5	462.2	462.2
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz; $/troy oz

	Close	Previous	High/Low	
Oct	535.8	523.3	537.0	519.2
Jan	541.4	527.3	539.0	526.0
Apr	547.2	533.4	544.1	535.5
Jul	553.4	538.1	550.0	543.0
Oct	559.9	545.8	0	0

SILVER 5,000 troy oz; cents/troy oz

	Close	Previous	High/Low	
Aug	667.7	659.5	667.0	667.0
Sep	671.0	663.5	674.0	665.0
Oct	675.5	666.4	0	0
Dec	683.8	675.2	686.5	678.5
Jan	688.9	679.6	0	0
Mar	697.1	686.6	[illegible]	[illegible]
May	705.5	694.1	705.0	697.0
Jul	713.2	701.3	0	0
Sep	719.9	708.8	0	0
Dec	734.0	719.3	0	0
Jan	736.0	722.4	0	0
Mar	743.9	728.8	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	91.60	90.15	[illegible]	[illegible]
Sep	91.00	89.20	92.00	89.80
Oct	89.80	88.20	[illegible]	[illegible]
Dec	87.20	85.60	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	86.80	84.85	86.80	85.20
May	86.35	84.80	86.35	85.20
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	84.60	83.30	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	15.63	15.66	15.64	15.42
Oct	15.79	15.86	15.80	15.61
Nov	15.89	15.98	15.90	15.70
Jan	16.08	16.20	16.08	15.93
Feb	16.11	16.28	16.11	15.95
Apr	16.06	16.32	16.19	16.05
May	16.19	16.33	16.19	16.11
Jun	16.22	16.34	16.22	16.22

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	4380	4407	4400	4340
Oct	4455	4477	4470	4410
Nov	4535	4540	4540	4490
Dec	4615	4597	4605	4565
Jan	4650	4657	4655	4605
Feb	4620	4625	4625	4580
Mar	4470	4478	4495	4430
Apr	4360	4368	4390	4340
Jun	4225	4245	4225	4225

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1423	1473	1466	1417
Dec	1437	1474	1464	1432
Mar	1445	1476	1466	1439
May	1460	1495	1480	1450
Jul	1480	1520	1505	1478
Sep	1500	1540	1512	1508
Dec	1520	1560	1557	1542

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	118.44	118.34	119.99	118.25
Dec	121.57	120.98	122.20	120.50
Mar	121.31	120.10	121.75	120.40
May	121.40	119.60	121.40	120.10
Jul	121.35	118.75	121.50	120.50
Sep	120.13	118.61	0	0
Dec	119.00	117.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	11.69	11.59	11.77	11.30
Jan	10.85	10.85	0	0
Mar	10.93	10.80	11.01	10.73
May	10.62	10.50	10.65	10.40
Jul	10.40	10.25	10.40	10.25
Oct	10.15	10.03	10.05	9.85

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	58.35	58.55	[illegible]	[illegible]
Dec	54.80	54.12	54.95	54.18
Mar	55.70	55.20	[illegible]	[illegible]
May	56.00	55.20	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Nov	182.30	182.70	184.20	182.10
Jan	174.40	174.70	175.30	173.10
Mar	173.30	173.00	173.70	171.50
May	172.10	172.10	0	0
Jul	170.10	170.10	0	0
Sep	170.10	170.10	0	0
Nov	170.10	170.10	0	0
Jan	169.10	170.10	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Aug 9	Aug 8	mnth ago	yr ago
1880.4	1882.2	2000.7	1636.6

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	131.52	131.34	137.95	126.23
Futures	134.31	133.84	140.79	129.07

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	864/4	860/6	868/0	853/0
Sep	866/6	863/6	870/0	858/0
Nov	878/4	871/0	882/4	867/0
Jan	887/4	879/4	892/0	880/0
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	27.67	27.72	27.53	27.50
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	272.2	267.0	273.0	268.5
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]

WORLD STOCK MARKETS

AUSTRIA

August 10	Sch	+ or −
Creditanstalt	2,000	−5
Goesser	2,800	+5
Interunfall	12,100	+400
Jungbunzlauer	7,830	−80
Laenderbank	374	+6
Perlmooser	675	
Steyr-Daimler	76	+2
Veitscher Mag	641	

BELGIUM/LUXEMBOURG

August 10	Frs.	+ or −
B.B.L.	2,720	−30
Banque Gen. Du. Lux	13,850	+50
Bank Intl. a Lux	13,200	
Bekaert B	11,500	+200
Ciment CBR	6,450	−90
Cockerill	290	−28
Colruyt	9,000	−140
Delhaize	4,600	−30
EBES	4,270	
Fabrique Nat.	900	−40
GB Inno BM	1,258	+2
GBL(BruxL)	3,380	−40
Generale Bank	5,260	−40
Gevaert	7,500	−50
Hoboken	8,800	
Intercom	3,590	−35
Kredietbank	3,990	−30
Pan Holdings	12,700	+200
Petrofina	12,675	−100
Raffinerie Tirle	1,420	
Royale Belge	4,850	−100
Soc Gen Belge	4,305	−25
Sofina	12,400	−75
Solvay	12,700	−100
Stanwick Intl	80	
Tractebel	7,270	−30
UCB	9,470	−10
Wagons Lits	5,300	+20

DENMARK

August 9	Kr	+ or −
Baltica Hldgs	525	—
Carlsberg	1,000	—
Cop Handelsbank	260	—
D. Sukkerfab	410	—
Den Danske Bank	363	—
East Asiatic	212	—
GNT Holding	222	—
I.S.S. B.Systems	671	—
Jyske Bank	437	—
Novo Ind.	239	—
Privatbanken	236	—
Sophus Berendsen	905	—
Superfos	2,550	—

FINLAND

August 10	Mka	+ or −
Amer	209.5	−1.5
Finnish Sugar	61.25	+0.25
Huhtamaki I Free	97.5	+0.75
Huhtamaki k Free	171	−9
KOP	74.2	−0.3
Kone	269	+1.5
Kymmene	131.5	−1
Nokia	177.5	−2
Pohjola "B"	84	−0.5
Rauma-Repola	35.95	+0.05
Stockmann "B"	234.5	—
UBF"C"	36.7	−0.75
Utd. Paper Pfd.	134.5	−1.5
Wartsila (z11)	223.5	−0.5

FRANCE

August 10	Frs.	+ or −
Accor	446	−0
Air Liquide	534	−8
Alcatel	2,050	+5
BIC	695	−13
BNP (Cert.Inv.)	266	−10
Bongrain	2,399	−2
Bouygues	448	−15
BSN	4,931	−49
Carrefour	2,415	−53
Club Mediterranee	466	−6
Cie Bancaire	461	−3
Cie Fin. de Suez	256	−7
Coflmeg	288	
CGE	387.6	−4.5
Damart	2,355	+35
Dumez S.A.	760	—
Eaux (Cie Gen)	1,277	−21
Elf-Aquitaine	325	−4
Essilor	2,504	−15
Gen. Occidentale	737	−13
Havas	690	−13
Imetal	203.3	−3.7
LVMH	2,754	+3
Lafarge Coppee	1,335	−26
L'Oreal	3,292	+7
Legrand	2,720	−46
Maisons Phenix	69	−2
Matra S.A.	180	−6
Michelin B	200	−5
Midi (Cie)	1,281	−4
Moulinex	182	−2
Nord Est	104	−3
Paribas	404	−5
Pernod Ricard	1,034	+12
Perrier	923	+8
Peugeot S.A.	1,206	−31
Printemps Au	505	−6
Radiotech	749	−6
Redoute	2,731	−104
Roussel-Uclaf	1,219	—
St. Gobain	505	−11
Sefimeg	400	+5
Skis Rossignol	951	+1
Telemech Elect	4,130	−40
Thomson (CSF)	187	−2
Total-Petroles Fr.	348	−3
Valeo	503	—

GERMANY

August 10	Dm.	+ or −
AEG	202.3	—
Allianz AG	1,533	—
BASF	261.4	—
Bayer	293	—
Bayer-Hypo	323	—
Bayer-Verein	325.2	—
BHF-Bank	419	—
BMW	493.5	—
Brown Boveri	305	—
Commerzbank	221.5	—
Continental AG	254.8	—
Daimler-Benz	659.5	—
Degussa	362	—
Deutsche Babcock	182.8	—
Deutsche Bank	472	—
Dresdner Bank	248.2	—
Feldmuehle Nobel	274	—
Henkel	464	—
Hochtief	480	—

GERMANY (continued)

August 10	Dm.	+ or −
Hoechst	279	—
Hoesch	149	—
Holzmann (P)	435	—
Horten	198	—
Hussel	425.5	—
Karstadt	413	—
Kaufhof	352.5	—
KHD	136.5	—
Kloeckner Werke	101	—
Linde	690	—
Lufthansa	139.2	—
MAN	199.2	—
Mannesmann	170.8	—
Mercedes Hld	521	—
Metallgesell	298	—
Muench Rueck	2,190	—
Nixdorf	439.8	—
Porsche	559.5	—
Preussag	182.1	—
Rhein West Elect	228	—
Rosenthal	214	—
Schering	507	—
Siemens	433.5	—
Thyssen	149	—
Varta	275	—
Veba	258.2	—
V.E.W.	159.4	—
Verein-West	338	—
Volkswagen	244.3	—

ITALY

August 10	Lire	+ or −
Banca Com'le	2,521	−9
Bastogi-IRBS	281	−4
CIR	5,641	+1
Credito Italiano	1,160	−15
Fiat	9,540	−9
Generali Assicur	88,690	−390
Italcementi	112,000	−200
La Rinascente	4,600	−30
Montedison	1,924	−2
Olivetti	10,205	−15
Pirelli Co	5,450	−45
Pirelli Spa	2,742	+22
Saipem	2,280	+29
Snia BPD	2,369	+28
Toro Assicur	18,300	−200

NETHERLANDS

August 10	Fls.	+ or −
ACF Holding	53.00	−1.3
AEGON	82.20	−2.8
Ahold	85.40	−2.1
AKZO	144.00	−3.8
ABN	46.20	−2
AMEV	53.30	−1.7
AMRO	79.00	−2.3
Bolsmij Wehry	104.50	−4
Buehrmann-Tet	55.20	−2.4
Deutsche Petroleum	225.50	−3.8
Elsevier Ndu	58.40	−1.5
Fokker	29.50	−1.2
Gist Brocades	39.80	−1.9
Heineken	151.50	−4.5
Hoogovens	63.50	−2
Hunter Douglas	63.50	−0.1
IHC Caland	20.80	+0.1
Int Mueller	65.40	−1.4
KLM	36.40	−1
KNP	165.5	−5.5
Nat Ned Cert	64.80	−2.2

JAPAN

August 10	Yen	+ or −
Ajinomoto	2,900	−40
All Nippon Air	1,720	−40
Alps Electric	1,900	
Amada	1,200	−30
Amano	1,560	−20
Ando Construct	752	−30
Aritsu	2,450	−10
Asid Corp.	950	−12
Arabian Oil	5,850	+50
Asahi Chemicals	1,040	−30

August 10	Yen	+ or −
Jusco	1,990	−190
Kajima	1,400	−50
Kaken Pharm	1,750	−90
Kanebo	574	−21
Kanegafuchi Chm	930	−2
Kansai Elect Power	3,010	−80
Kansai Paint	660	−10
Kao Corp	1,760	−20
Kashiyama	1,890	−70
Kawasaki Heavy	665	−40

August 10	Yen	+ or −
Nippon Lt Metal	651	−24
Nippon Meat Pack	1,900	−30
Nippon Mining	581	−14
Nippon Oil	1,090	−10
Nippon Road	1,090	+10
Nippon Sanso	730	−15
Nippon Seiko	804	−6
Nippon Sh Glass	865	+3
Nippon Shinpan	1,100	−60
Nippon Steel	714	−44

CANADA

OVER-THE-COUNTER

Nasdaq national market, 2pm prices August 10

Continued from page 37

TOKYO - Most Active Stocks

Wednesday 10 August 1988

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	73.48m	714	−44
Kawasaki Steel	54.99m	718	−39
Canon	34.52m	1,530	+10
Mitsubishi Heavy Ind	27.38m	915	−35
NKK	26.80m	650	−35
Hitachi	25.17m	1,830	−100
Toshiba	23.91m	1,060	−40
IHI	23.24m	1,090	−90
Keisei Electric Railway	23.15m	2,200	−40
Fujitsu	22.19m	780	−40

INDICES

NEW YORK ACTIVE STOCKS

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3pm prices August 10

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A—A—A —								
27¾	14	AAR s	.36	1.5	18	72	24½	24¼	24¼	-⅛
12⅛	8⅝	ACMIn n1.40e		12.		472	11½	11⅜	11⅜	-⅛
12⅛	10¾	ACMSc n1.25		11.		562	11⅛	11	11	
10⅛	9	ACMSp n.17e		1.8		380	9⅝	9½	9⅝	
27¾	10½	AGS			19	511	25¾	25¼	25½	-⅜
7⅞	2⅝	AMCA				16	3⅞	3⅞	3⅞	-⅛
8⅝	3¼	AM Intl				5196	5⅞	5⅝	5⅞	
29⅞	17	AM Int pf	2	8.9		132	22⅝	22½	22⅞	
65½	26¼	AMR			9	3258	44¼	43⅝	43½	-1¼
11⅞	5¼	ARX			10	105	8¼	7⅞	7⅞	-⅝
70½	38⅝	ASA	3	7.5		310	40¼	39¾	40	
22⅝	9½	AVX	.05e	.3	11	229	18⅛	17¾	18	-⅝
66⅝	40	AbtLab	1.20	2.7	15	1960	45⅝	45¼	45¼	-½
27⅞	15⅝	Abitibi g	1			73	17½	17⅜	17⅜	
16½	8½	AcmeC	.40	4.0		63	10⅛	10	10⅛	-¼
10½	6⅝	AcmeE	.32b	4.6	50	2	7	7	7	-⅛
20	14½	AdaEx	3.05e	19.		z113	16	15⅝	15⅞	
16¼	6⅞	AdamMl	.24	1.5	15	z43	16¼	16¼	16¼	
24⅞	7½	AMD				3666	12⅞	12	12¼	-⅜
68¼	29¼	AMD pf	3	8.1		1	37¼	37¼	37¼	-⅝
11¼	4⅝	[illegible]				553	7⅝	7½	7½	-⅛
20¼	16¼	Adob pf	1.84	10.		2	17¼	17¼	17¼	
21¼	17½	Adob pf	2.40	11.		5	21	21	21	-⅛
12⅞	5⅞	Advest	.12	1.4	16	177	8⅞	8¾	8¾	-⅛
64¼	39½	AetnLf	2.76	5.9	7	1643	46⅞	46¼	46½	-⅝
40⅞	20½	AflPb s	.20	.8	41	3948	24⅞	24	24¼	-¾
23¾	13	Ahmans	.88	5.7	10	x567	15⅞	15½	15½	-¼
4	1¾	Aileen				130	3⅝	3½	3⅝	-⅛
53⅞	29	AirPrd	1.20	2.8	11	4072	43½	42	42¼	-1½
28¾	11⅛	AirbFrt	.60	3.7	22	281	16½	16⅛	16⅛	
16⅜	8¾	Airgas			17	153	15¼	15⅛	15⅛	-⅛
20	13½	Airlease	2.30	12.	10	13	19⅛	19	19	
27¼	24½	AlaP pf2.13e		8.3		1270	25¾	25½	25⅝	
9¾	7⅞	AlaP dpf.87		9.6		43	9¼	9¼	9⅛	-⅛
101	86½	AlaP pf	9.44	9.9		z1770	95¼	95	95	+¾
88½	77	AlaP pf	8.28	9.9		z100	84	84	84	+1
23½	12¼	AlskAir	.16	.9	14	348	18⅛	17¾	17⅞	-⅛
33	14¼	Alberto	.30	.8	20	52	35½	35½	35½	
28¼	12⅝	AlbCulA	.30	1.1	18	45	25¾	25⅝	25⅝	+⅛
34	20¼	Albtsn s	.56	1.8	18	1239	31⅛	30	30⅝	-⅜
37⅞	18	Alcan s	.88	3.0	7	3457	29⅞	29⅜	29⅜	-⅛
29⅝	15¼	AlcoStd	.68	2.7	11	541	25¾	25	25½	-⅛
28¼	15⅞	AlexAlx	1	4.5	16	436	22¼	21⅞	22	-⅛
59	34¼	Alexdr				55	51	51	51	-⅛
82½	61½	AllegCp			7	123	70⅛	69⅝	69⅝	-⅛
17¾	2⅛	vjAlgInt				729	3⅛	2⅞	3⅛	
18⅝	5¼	vjAlgl pr				5	6⅜	6⅜	6⅜	
80	17	vjAlgl pfC				40	19½	19¼	19¼	-⅜
39¼	15⅛	AlgLud	.48	1.6	10	15	30⅝	30⅜	30½	-⅜
41½	31⅝	AllgPw	3	8.1	9	188	37½	36⅞	36⅞	-½
17⅝	5½	AllenG				280	12⅞	12⅝	12¾	-⅛
22	9¼	Allen pf1.75		12.		10	15	15	15	
11½	10	AlnCap n.25e		2.5		82	10⅛	10	10⅛	
28¼	12⅝	AllsPc				120	19¼	18⅞	18⅞	-⅜
48¾	26	AldSgnl	1.80	5.3	11	2155	34⅝	34	34¼	-¾
2⅝	9-16	vjAllisC				180	11-16	⅝	⅝	
19	3	AlisC pf				15	3¼	3¼	3¼	+¼
16⅝	8⅞	AlstMo n.78		7.8		373	10⅛	10	10	
10¼	8¼	AlsMll n.07e		.7		62	9⅝	9½	9⅝	+⅛
35¼	23	ALLTEL	1.52	4.5	9	278	34	33½	33½	-½
[illegible]										

Continued on Page 37

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
45⅝	17½	RussBr	.40	2.1	9	79	19⅛	19	19⅛	−⅛
22⅝	11	RussTg	.60	4.5	15	29	13⅜	13¼	13⅜	−⅛
18¼	10⅝	RussellI	.24	1.6	12	133	15⅜	15⅛	15¼	
41	20	Ryder	.50	2.2	19	3347	25⅞	25	25	−⅜
32⅝	17⅝	Rykoff	.65	2.3	15	173	29⅝	29⅛	29⅛	−⅛
28½	11	Rylend	.60	3.2	6	246	18⅞	18⅝	18⅝	−½
12	8	Rymer pf1.17		13.		29	8⅞	8¾	8¾	−⅛
		— S-S-S —								
36⅛	27⅝	SCEcp	2.48	7.8	11	1350	32	31⅞	32	
17	5	SCOR U	.10e	1.2	6	49	8¼	8⅛	8⅛	−⅛
13⅝	7⅝	SL Ind	.18b	2.3	14	7	7⅞	7⅞	7⅞	
48½	20⅞	SPSTec	1	2.4	17	18	42⅛	42	42	
39⅝	21¾	SPX Cp	1.20	3.6	18	287	34½	33½	33½	−1
31⅝	13	SSMC			45	41	22½	22⅜	22⅜	−⅛
33⅝	19½	Saatchi	1.08e	6.1	7	378	18	17⅝	17⅝	−⅛
13⅝	10	Sabine	1.42e	12.	8	95	11⅞	11¾	11⅞	+⅛
19⅝	9	StgdSc			9	93	15½	15½	15½	−⅛
39½	21⅞	SafKln	.30	1.2	28	295	25⅝	25⅛	25⅛	−⅛
9	6¼	SabCes	1.08e	12.		27	8⅛	8⅛	8⅛	−⅛
24½	17⅝	StJoLP	1.40	6.3	9	14	22⅛	22	22⅛	+⅛
16¼	5⅛	Salant				243	15½	14⅞	15	−½
89½	61	SallieM	.64	.7	16	1751	78½	76½	77¼	−1⅛
39⅝	18⅝	Salomn	.64	2.8	18	2325	23⅜	22¾	23⅛	−⅛
35	28¼	SDieGs	2.60	7.5	11	987	34½	34⅛	34¼	
9⅜	6⅞	SJuanB	.40e	5.5		220	7⅜	7⅛	7⅛	−⅛
14¼	8½	SJuanR			15	30	13⅛	13⅛	13⅛	
32⅝	23½	SAnitRt	2.04	6.5	19	52	31⅛	31⅛	31⅛	−⅛
21⅛	14⅝	SFeEP	2.80	17.		38	16⅛	16½	16⅛	+⅛
34⅞	14¼	SFeSP	s .10	.5	4	1268	19⅞	18⅞	18⅞	−¼
47⅞	28½	SaraLee	1.20	3.1	14	1716	38⅞	38⅛	38½	−½
[illegible]										

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. [illegible]

AMEX COMPOSITE PRICES

3pm prices August 10

Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]								

Copyright by The Associated Press

OVER-THE-COUNTER

Nasdaq national market, 3pm prices August 10

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

Continued on Page 35

FINANCIAL TIMES
Thursday August 11 1988

Anti-Mafia law turned on Wall St

Janet Bush reports on a new tactic in fighting securities fraud

If you want to relive all those classic black-and-white mobster movies of the 1930s, go down to Chicago's trendy Lincoln Park area and take in the stage adaptation of Little Caesar at the alternative Organic theatre.

Do you remember Little Caesar? Edward G. Robinson, playing the gangster Rico, gets mown down in a hail of bullets and the soundtrack intones those memorable words: "Mother of Mercy. Is this the end of Rico?"

While echoes of Chicago's violent past rattled around the cavernous warehouse of the Organic theatre last week, Mr Rudolph Giuliani, District Attorney for the Southern District of New York, brought the name Rico into centre stage of the modern era.

In 1930s Chicago, Rico was a man who took on the mob and lost. In 1980s New York, RICO is an acronym standing for the Racketeering Influenced and Corrupt Organisations Act, the latest and most aggressive weapon yet used against the white collar crime of securities fraud.

Mr Giuliani, the gaunt figure who since his tough handling of Mr Ivan Boesky, the New York arbitrageur imprisoned for insider trading, has been the nemesis of Wall Street's modern-day racketeers, last week announced indictments on racketeering charges under the RICO law against six men accused of securities fraud.

Named in the indictments are five leading officials of Princeton/Newport, a New Jersey investment partnership, and a former trader at Drexel Burnham Lambert. Each of the six men are charged with conspiracy, racketeering and racketeering conspiracy as well as several counts of mail and wire fraud.

The indictment outlines an alleged tax fraud in which Princeton/Newport officials allegedly created false long-term capital gains and short-term capital losses by setting up pre-arranged transactions with the trader at Drexel.

The indictment charges that these transactions netted Princeton/Newport more than $13m in bogus tax losses between November 1984 and February 1986.

The RICO act became law in 1970 and was designed specifically to fight the Mafia. It has been used most successfully in the prosecution of organised crime and drug-related cases.

It carries severe penalties. Each of the defendants could face 20 years in prison on each of the two counts of racketeering, five years on each additional charge and Princeton/Newport could be forced to hand over all its earnings in the years of the alleged racketeering to the Government.

RICO was used successfully in 1986 in the racketeering and conspiracy case against Carmine "the Snake" Persico and his New York Colombo organised crime family. That case was spearheaded by Mr Bruce Baird, then an Assistant US Attorney.

'Lawyers criticised our use of racketeering charges in the Mafia cases. Every single lawyer criticised our use of racketeering in the Wedtech case. What do you expect them to say? That's what they get paid for' — Rudolph Giuliani (left)

Mr Baird is now Mr Giuliani's right-hand man in fighting corruption on Wall Street and, as head of the US Attorney's securities and commodities fraud unit, is at the centre of the long-running investigation into alleged insider trading at Drexel Burnham Lambert.

Mr Baird is but one link between insider trading on Wall Street and organised crime which to many, notably the defence attorneys for the six men charged last week, seem worlds apart.

Under the provisions of the RICO law, there is one clear parallel. The act says that a person or business committing two or more crimes as part of a pattern can be charged with racketeering.

Mr Jeffrey Rosen, one of the partners at Washington law firm Rosen & DeMartino, also points out that the act prohibits the infiltration of an enterprise by a criminal element and that Article 10B5 of the act actually specifies mail and securities fraud.

Mr Rosen, who declined to comment specifically on the Princeton/Newport case, nevertheless said that he found no objection to the RICO law being used in insider trading and other securities fraud cases.

"The RICO act is, in my opinion, tailormade for an insider trading scheme . . . It is not particularly aimed at people whose names end in vowels," he said, referring to cases brought under the act against the Mafia.

Late last month, the US Attorney in Chicago brought racketeering charges against a former lawyer accused of insider trading and so set a precedent for last week's announcement in New York.

Mr Giuliani staunchly defended his use of RICO in the Princeton/Newport case: "Lawyers criticised our use of racketeering charges in the Mafia cases. Every single lawyer criticised our use of racketeering in the Wedtech case. What do you expect them to say? That's what they get paid for."

This case has the most fascinating potential. The Government's clear intention to use RICO in the Chicago case and in the Princeton/Newport case has sent a shiver of anticipation along Wall Street.

The Street believes that Messrs Giuliani and Baird are looking beyond the six indicted last week. US lawyers believe they are continuing to gather evidence in their long-running securities fraud investigation into the activities of junk-bond king Mr Michael Milken and Mr Robert Freeman, head of arbitrage at Goldman Sachs.

Princeton/Newport are believed to have close relations with both men and the former trader at Drexel used to report directly to Mr Milken.

Six more arrested in Hong Kong

By Michael Marray in Hong Kong

SIX MORE former officials of the Hong Kong Stock Exchange were arrested yesterday in the continuing investigation into the exchange by the colony's Independent Commission Against Corruption (ICAC).

At the same time, additional charges were laid against Mr Ronald Li, former chairman of the Stock Exchange and Mr Jeffrey Sun, its former chief executive, both of whom were already under arrest on corruption charges brought by the ICAC.

The six new defendants include Mr Charles Sin, technically still chairman of the exchange, and three vice-chairmen of its general committee, Mr Kenneth Wong, Mr Joseph Ma and Mr Cham Siu-Leun.

However, since the arrest of Mr Li on January 2, none of the four has played any part in running the exchange, having been "distanced" from its affairs pending the ICAC investigation. A new management committee was formed.

The two other defendants, Mr John Chong and Mr Edward Woo, stood down from the general committee after last December's stock exchange elections.

The new charges brought against Mr Li involve four counts of accepting a beneficial interest in shares in respect of the flotation of Cathay Pacific Airways, Videotechnology International, QPL Holdings and Hysan Development.

Mr Li was also charged on one count of accepting sub-underwriting commissions in respect of Cathay Pacific, which attracted a massive HK$51bn ($6.4bn) worth of applications for the HK$1.54bn worth of shares offered in May 1986.

The Cathay float was jointly underwritten and managed by Baring Brothers and Wardley.

The chairman of the Swire group in Hong Kong, Mr David Gledhill, said in a statement yesterday that neither Swire nor Cathay management had been aware "until the ICAC investigation that there was any suggestion that Ronald Li had allegedly obtained an advantage out of the flotation of Cathay Pacific."

Mr Jeffrey Sun, previously charged with counts involving Videotechnology and QPL, was charged with an additional offence concerning the flotation of Hysan Development in 1981.

The charges against the six new defendants involve Hysan, QPL and Videotechnology, while Mr Li was also previously charged in relation to the flotation of the local subsidiary of a leading Japanese construction company, Kumagai Gumi.

UN group on way to monitor the Gulf ceasefire

By Edward Mortimer in Tehran and Tony Walker in London

THE FIRST detachment of United Nations Gulf peace observers are on their way to the Iran-Iraq battlefront to monitor the ceasefire due to come into effect on August 20.

Mr Marrack Goulding, the UN Undersecretary-General in charge of peacekeeping operations, said in New York that all members of the 350-man monitoring team were expected to be in place at strategic points along the 1,200-kilometre Iran-Iraq frontier within a week.

Meanwhile, in Tehran, Ali Akbar Hashemi Rafsanjani, the acting military chief and parliamentary Speaker, sought to counter suggestions that Iran had collapsed militarily after eight years of slogging conflict in which an estimated 1m lives were lost on both sides.

Mr Rafsanjani said that Iraq had finally agreed to the terms for a ceasefire only when it had found Iranians resisting strongly its latest military offensives. He claimed a moral victory, saying it would have been easy for Iran to retaliate in kind against Iraq's chemical attacks, but it had chosen not to do so.

Mr Rafsanjani, who is regarded as the second most powerful figure in Iran, told an international symposium that his country expected UN resolution 598 to be implemented in full, including specifically the provision that calls for the establishment of an impartial commission of inquiry to look into the origins of the conflict.

Iran insists Iraq is to blame for starting the war in September, 1980, when Iraqi troops crossed the Shatt al-Arab waterway which divides the two countries in the south. Iraq says it acted in response to repeated provocations.

In Tehran, a senior Iranian diplomat who will participate in direct talks with Iraq, said that lasting peace would result only if Iraq were branded as the aggressor.

Mr Cyrus Nasseri, head of the Iranian mission to the UN in Geneva, said that Iran would be seeking "compensation for aggression."

Mr Javier Perez de Cuellar, the UN Secretary-General, announced details of the ceasefire on Monday in New York after an intense round of diplomatic discussions over the weekend. The 15-member Security Council voted unanimously on Tuesday to authorise the United Nations Iran Iraq Military Observer Group.

In Washington, a spokesman for President Ronald Reagan said the US would ask Gulf states to contribute to the $70m annual cost.

"We do intend to urge the Gulf states, who are the chief beneficiaries of this settlement, to share in the cost, through voluntary contributions," said Mr Marlin Fitzwater. "We'll be giving the same message to other countries like Japan and others who have an interest in the Gulf."

Bush campaign cuts into Dukakis lead

Continued from Page 1

ing a document which will contain a striking emphasis on social policy. Draft papers include Mr Bush's proposal for a tax credit to help working parents with child care expenses, and aid for AIDS victims.

Other working papers include familiar conservative favourites such as continued support for the Strategic Defence Initiative programme, and backing for the Nicaraguan Contra rebels. The centrepiece is Mr Bush's flat pledge not to increase taxes.

Yet many Republicans still feel uneasy about Mr Bush. They do not respond to him as a candidate.

His candidacy will also not have been helped by a lengthy series of profiles in the Washington Post – the result of more than 200 interviews. They depict a genial man uninterested in substance, constantly deferential to others, a politician who made his way to the top on the back of a privileged network of contacts, starting at the secret Skull and Bones Club at Yale.

President Reagan stepped up his support for Mr Bush on Tuesday by nominating an Hispanic-American, Mr Lauro Cavazos, president of Texas Tech University, as Education Secretary, a move aimed at courting the Hispanic vote in the key election state of Texas. Mr Cavazos would be the first Hispanic-American to hold Cabinet rank.

THE LEX COLUMN

BAT pitches into the ball park

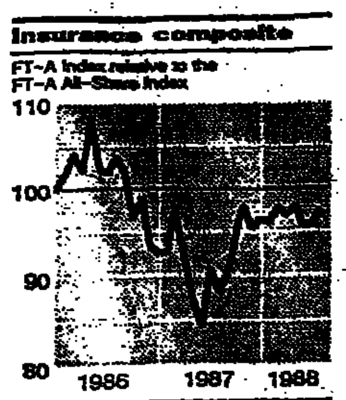
Generosity is relative, but an extra $600m from BAT should ensure that the Farmers board can no longer claim that BAT is mean as well as unsuitable. That does not necessarily imply that $72 a share will be enough to prompt Farmers to talk figures instead of philosophy, however; and a sleepy midnight assurance from Los Angeles that Farmers would give the offer "careful consideration" was surely no more than could have been expected from a company facing shareholder suits over its conduct of the bid defence.

Not surprisingly, a market wearied by months of regulatory wrangling welcomed the opportunity to focus again on the value of the company at issue: Farmers' shares rose sharply on news of the increased bid, though early yesterday they stood only a fraction above the unimproved offer of $63 a share. Such scepticism is probably wise; for while $72 a share implies a multiple of 17 times prospective 1988 earnings – probably fair enough by any impartial standards – the Farmers board may value its independence differently from the market.

And even if Farmers decides that it would be obstinate – or indeed, imprudent – to continue refusing to speak to BAT, it could still have difficulty persuading the regulators that $72 rather than $63 makes BAT somehow more suitable to run an insurance company. Some of them could prove immune to such persuasion – and as the BAT offer stands, one state alone would be enough to spoil a deal, however amicable.

Insurance composite

FT-A Index relative to the FT-A All-Share Index



UK equities

A pattern seems to be emerging in London's reaction to this week's interest rate rises. Base rates at 11 per cent – or 12 per cent, come to that – are fine, because they demonstrate inflationary resolve and are in any case a temporary measure to rein in consumer spending. But higher US interest rates are a worry, because they imply inflationary pressure and tend to push bond yields up and Wall Street down. To that extent, it was logical enough yesterday for the FT-SE to hold up in the morning and slump with Wall Street in the afternoon.

The snag is that UK investors are choosing to ignore short term interest rates while assuming that domestic borrowers will do the reverse. But it is not yet clear that mortgage and consumer credit spending are slowing down, and it is the Chancellor's job to keep tightening the screws until they do. The market is implicitly assuming that an economic soft landing will be more easily achieved in the UK than the US, and it may well be right. But with the FT-SE back at the bottom of a two month trading range, it will need more support than it has been getting just lately from Wall Street and Tokyo if London's sunny mood is not to evaporate.

UK composites

If anyone was in any doubt that the first six months of 1988 have been a pretty exceptional period in the UK insurance industry, yesterday's first half messages from Commercial Union and General Accident set the record straight. The former reported a rare UK underwriting profit, whilst the latter increased its interim dividend by an impressive 24 per cent. Unusually clement weather conditions and continued rate firmness in the UK cannot be counted on in the second half, but the general picture remains one of reasonably stable conditions in the UK with signs of softness beginning to appear in the US and Canada. Meanwhile, the partial recovery in the equity markets has helped bolster solvency margins.

Despite Commercial Union's reservations about the timing of the next downturn in global underwriting, the market remains of the opinion that 1988 will mark the peak in the current earnings cycle. Against this sort of background, investors are once again focusing on the outlook for dividends, and General Accident's generous interim payout, when combined with its record of sustained dividend growth and undoubted balance sheet strength, should give it an edge.

Gilt auction

The large turnout for yesterday's gilt auction was not so much despite three rather dud trial runs, but more because of them. It seems market markers were so sore at the missed opportunity of the last auction, when they could have bought some gilts cheap, that they put in enough silly low bids this time to ensure the sale was covered several times over. More encouraging than the number of bids was the confident behaviour of the market during and after the auction, suggesting that it is getting the hang of them at last. Despite this technical success, yesterday's sale does not prove the virtues of auctions per se. As one would expect, the prospect of the sale depressed prices of that maturity in advance. While that might be a necessary evil for a Government with a lot of selling to do, it seems a bit unnecessary for one which can meet its entire funding requirement through a handful of taplets.

Ultramar

The market is so confident that a bid for Ultramar will one day come that the bird of prey pictured on the front of the company's results might be taken as more important than the numbers inside. In other times a 14 per cent increase in profits might be regarded as a decent if unremarkable performance; but as the shares are on a p/e of 18, the size of the e has become almost irrelevant.

Ultramar is a puzzle – a textbook bid candidate that has never been bid for. It is not hard to see why the market keeps hoping: the distinct parts are crying out to be broken up, the management does not command any great respect in the City, and the whole sector is being combed by wealthy bidders. At 289p, however, investors may be taking the comparison with Tricentrol, Britoil and others a bit far. The current market price appears based on a £ per barrel calculation, according to which the shares at 289p may seem cheap. But any bidder will presumably take an interest in the whereabouts of the oil, and may find a barrel in Indonesia worth a small fraction of a barrel in the North Sea.

Canada in shock as ice star defects

By Bernard Simon in Toronto

CANADA is in a state of national shock following the transfer of its ice hockey superstar, Wayne Gretzky, from the Edmonton Oilers team to the Los Angeles Kings.

A mood of disbelief pervaded homes and offices throughout the country yesterday as the news sank in that the amiable man nicknamed "VG One" had decided to forsake Canada for a struggling, relatively unknown team in a city where the only ice is to be found in cocktails.

The media have given the Gretzky move as much prominence as a prime minister's assassination. The mass circulation Toronto Sun devoted 10 pages of yesterday's issue to the news. A senior opposition member of parliament called on the Federal Government to intervene to halt the transfer.

Mr Gretzky, choking with emotion, said on Tuesday evening that he had asked for the transfer to be with his pregnant wife. He married Janet Jones, a California actress and model, last month.

Mr Gretzky and two other Oiler players will be exchanged for five Kings' players plus a cash payment rumoured to be between $10m and $15m, the highest ever paid for a sports star.

Mr Gretzky, who has spearheaded the Oilers to victory in four of the last five Stanley Cup Championships, said, "I felt I was still young enough and capable enough to help a new franchise win the Stanley Cup."

Recognisable on the ice by the number 99 on his jersey, Mr Gretzky is widely regarded as one of the world's finest athletes. Sports writers have voted him the best player in the National Hockey League for the past 10 seasons.

To Canadians, Mr Gretzky, 27, is more than a star athlete. He epitomises the gentle politeness which many Canadians think distinguishes them from the more extrovert Americans. Several newspapers yesterday described him as a "national treasure."

Callers to radio talk shows are comparing the new Mrs Gretzky with John Lennon's widow Yoko Ono, who bore the brunt of the blame for the break-up of the Beatles in the early 1970s.

Shanghai telephone venture agreed

By Hugo Dixon in London

GEC Plessey Telecommunications, the UK group, is to start manufacturing private telephone exchanges (PABXs) in Shanghai later this year, after an agreement signed with the Chinese authorities yesterday.

This is the most significant international deal yet for GPT, which was formed earlier this year when GEC and Plessey merged their telecommunications operations. Its previous contracts include the supply of payphones to Moscow and telephone exchanges to Kenya.

GPT has three partners in the joint venture: the China International Trust Investment Corporation, a quasi-governmental body; the Shanghai Telephone Equipment Factory, China's largest telecommunications plant; and Lityan Development of Singapore, which has acted as Plessey's agent in China for several years.

The initial investment by the four partners, all of which have roughly equal stake, will be about £8m ($13.5m). More will be invested as the venture develops from being an assembly operation for kits to a fully fledged manufacturing facility.

GPT said that the venture would be producing at least 100,000 lines each year and would generate sales of about £120m over 15 years.

In addition to its share of the profits, GPT will receive royalties for licensing its technology and payments for components and equipment it supplies.

GPT said it had reached the agreement after four years of negotiations, in which it had been helped by the British Department of Trade & Industry and a visit in 1986 by Queen Elizabeth of England to Shanghai. The DTI has supported the venture with a grant of more than £1m.

GPT also said it hoped the deal would open the door for further sales in China.

UN offers compromise plan on W Sahara war

THE UNITED NATIONS is to offer a compromise proposal in the Western Sahara dispute today calling for a ceasefire and referendum, a UN spokesman said yesterday, Reuter reports from New York.

Mr Javier Perez de Cuellar, UN Secretary-General, will hand the proposals on Western Sahara to Mr Abdellatif Filali, Moroccan Foreign Minister, and Mr Driss Slaoui, UN representative, at a meeting this afternoon. About 45 minutes later, he is to give the plans to Mr Bechir Mustapha, a member of Polisario's executive committee, and Mr Mohamad Sedati, a member of Polisario's political bureau.

After the handover the Secretary-General is expected to announce that a response has been requested by September 1. The spokesman said, however, that contents of the plan would be confidential.

Mr Perez de Cuellar met yesterday with Mr Modibo Keita, Foreign Minister of Mali, whose country holds the current chairmanship of the Organisation of African Unity.

The UN and the OAU have been involved in intensive consultations to resolve the conflict in the Western Sahara, a former Spanish colony whose rule by Morocco has been contested for 12 years by the Polisario guerrillas.

The UN General Assembly in January 1986 called on the Secretary-General and the OAU chairman to persuade the two sides to negotiate the terms of a ceasefire and a referendum.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Dubrovnik	S	28	82	Malta	S	31	88	Rhodes	S	28	82
Algiers	S	36	97	Edinburgh	F	18	64	Manchester	F	18	64	Rio de J'o	C	34	93
Amsterdam	C	20	68	Faro	S	27	81	Manila	C	32	90	Rome	F	33	91
Athens	F	34	93	Florence	S	34	93	Melbourne	C	12	54	Salzburg	S	26	79
Bahrain	F	41	106	Frankfurt	S	28	82	Mexico City	C	25	77	San Francisco	F	21	69
Bangkok	F	32	90	Funchal	F	26	79	Miami	C	31	88	Seoul	F	37	99
Barcelona	S	28	82	Geneva	S	27	81	Milan	S	29	84	Singapore	C	32	90
Beirut	C	31	88	Gibraltar	S	31	88	Montreal	C	29	84	Stockholm	C	23	73
Belfast	R	15	59	Glasgow	R	16	61	Moscow	C	20	68	Strasbourg	S	29	84
Belgrade	A	31	88	Guernsey	C	16	61	Munich	S	27	81	Sydney	S	15	59
Berlin	F	28	82	Helsinki	C	19	66	Nairobi	C	22	72	Taipei	F	34	93
Biarritz	C	22	72	H. Kong	R	29	84	Naples	S	30	86	Tangier	F	24	75
Bombay	F	30	86	Innsbruck	S	25	77	Nassau	C	31	88	Tel Aviv	S	33	91
Bordeaux	S	29	84	Inverness	C	17	63	New Delhi	C	33	91	Tenerife	S	27	81
Brussels	S	24	75	Islamabad	C	34	93	New York	C	34	93	Tokyo	R	30	86
Budapest	C	25	77	Istanbul	F	30	86	Nice	S	28	82	Toronto	C	33	91
B. Aires	C	13	55	Jakarta	C	33	91	Nicosia	F	35	95	Tunis	S	31	88
Cairo	F	36	97	Jersey	C	19	66	Oporto	S	19	66	Valencia	S	32	90
Cape Town	-	—	—	Jo'burg	C	17	63	Oslo	C	25	77	Venice	S	29	84
Caracas	C	26	79	Lima	R	16	61	Paris	C	27	81	Vienna	S	27	81
Casablanca	S	24	75	Lisbon	F	28	82	Peking	F	31	88	Warsaw	F	24	75
Chicago	C	29	84	London	C	22	72	Prague	S	27	81	Washington	-	—	—
Cologne	F	26	79	Los Angeles	C	26	79	Reykjavik	C	14	57	Zurich	S	25	77
Copenhagen	S	23	73	Luxembourg	F	25	77								
Corfu	S	32	90	Madrid	S	32	90								
Dallas	F	28	82	Majorca	S	30	86								
Dublin	C	18	64	Malaga	S	29	84								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder